ECONOMICS IN ACTION • DEC. 1953

The economic picture begins to take shape as early fall statistics become available, and it doesn't bear out those prognosticators who have been forecasting a depression. What DOES emerge is a moderate downswing in business activity from peak levels early this year:

Industrial production, though still above last year, has been slipping for the past three months at a time when it should be picking up. Reason: Manufacturers have a near-record $48.5 billion inventory which they must get rid of first.

Employment, which zoomed to record heights this summer, has fallen slightly as many companies start trimming their payrolls. While 29% of all factory workers were doing overtime last year, only 22% are doing overtime now, and the number is slipping. Result: weekly take-home pay of factory workers has dipped to an average of $70.49 – which is still very good, but needs watching.

Sales of manufactured goods have failed to show the usual fall pick-up and have been falling, particularly on the retail level. The decline is slight, but it indicates greater selectivity by consumers.

Most economists favor this switch from a "seller's" to a "buyer's" market which, they believe, means more competition, more realistic prices and better products. The big "if": available purchasing power.

In this new economic picture the consumer is "king," and many companies are conducting surveys designed to show them just how good a customer he's going to be in 1954. Indications are that he's got the money, but may not be so eager to spend it:

Personal Income, though still 6½% over a year ago, has slipped about $1.5 billion from its all-time

record high of $287.5 billion this July. The drop in factory payrolls and the serious farm situation are mainly responsible.

Savings are still at record highs despite a $4.2 billion increase in consumer debt over a year ago. Savings deposits, for instance, keep growing while checking accounts are falling. These figures tend to show that people plan to save more and spend less.

Personal Debt now takes one out of every eight dollars of spendable income, which is twice the 1946 ratio. So far, consumers have been able to meet these debts with ease, but indications are they've just about reached their limit and further expansion in the near future seems unlikely.

An all-out drive by producers and sellers to make you buy is certain, and many economists are counting on a spurt in buying to stave off a serious business dip.

A good example of what happens to business when purchasing power dips is the situation in the farm belt:

Net Income from all farm products, according to the Department of Agriculture, will be 7% less than last year. That makes the farmer's purchasing power the lowest it has been since 1941.

Less spending can be expected. While total farm income amounts to only 6% of national income, the farmer accounts for 14.2% of all retail purchases and 11.4% of each dollar put into business structures and machinery. With his income falling, he won't be able to maintain this hectic buying pace.

In fact, he has already begun to cut his expenditures. Farm building is down 9% while

(Cont'd on p. 63)

challenge
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ECONOMICS IN ACTION

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A Personal Note 4
from the editor

Do You Know an Economist When You See One? 6
five rules for identifcation

Rejected 11
for mental reasons

Asia's Newest Religion 15
three million anti-communists

Financing Modern Education 21
improvement—or chaos

The Educational Backgrounds of Executives in the U. S. 28
the results of a survey

Installment Buying 30
where is it leading us?

Toys That Endure 37
the Doepke brothers make 'em

Can America's Resources Hold Out? .. 41
the needs are ever-rising

The Public Utility of Businessmen 47
their abilities can serve many purposes

What About "Fair Employment"? 52
there is a lot of it already

Prosperity through Sales 58
review of "Why Do People Buy?"

a personal note

WE ARE LIVING in an age of total performance—of total wars, total power, and total men. Gone are the days when a man could be a good politician, and nothing else; or a good scientist; a good businessman; a good soldier, and nothing else. Specialization has become the academic starting point of a man's career. The true effectiveness of an individual in the affairs of his society is measured by the sum total of the many skills that he can command.

Thus we have scientists who are asked to advise on matters of national policy; soldiers who are called upon to be statesmen; politicians who must be economists; and economists who must be psychologists. It is a sign of the times. It is the spirit of a civilization that can move faster than sound and transmit ideas faster than it can move—a civilization that holds the power of its own destruction within a few highly concentrated bombs, while all the time standing on the threshold of such a glorious future that it is blinded by the very brilliance of the promise. Today's world is wrapped up in one tight, little bundle. A draft from a window in Peiping produces a sneeze in Wichita. No man is a power unto himself, and no man who plays a role in the affairs of his society can do well enough to play just one role to the hilt.

Of course, versatility is not a new thing. The well-endowed man of many capabilities and the "well-rounded" personality have been with us for a long, long time. But never before in human history have the total skills of Man been required of the decisions that individuals must make—never before as much as it is today. From the President in the White House to the less-illustrious citizens of this land, all of us must be as much of a total man as we possibly can. Every youngster who aspires to be a success when he "grows up" should be taught to appreciate this fact.

BUT WE NEED NOT go completely overboard on this business of total performance. It would be poor guidance, indeed, to advise a boy to become "a Jack-of-all-trades and a master of none." There lies the road to the poorhouse.

What, then, would be good counsel for an alert, intelligent American boy? From a purely subjective point of view, I would say that if I had a son, I should like to see him trained in the arts of business, commerce

and industry. And beyond that, my highest hopes for him would be fulfilled if he should rise to become a captain of industry.

How mundane, how unromantic, how hackneyed can you get? It depends on your point of view, of course; and I warned you I was being subjective. If you see this imaginary son of mine, this captain of industry, as a stereotype, then you have a right to question my judgment and my values. But I see him differently. I see him standing in the forefront of American activity. For there is nothing which symbolizes American civilization more than its businesses and industries. We are unique; we stand in a class by ourselves because of the tremendous rate at which we produce and consume all kinds of goods and all types of services. There is nothing mundane about the men who have set the pace of modern America. As for romance, the modern smokestacks, which must now unobstrusively exhale their smoke, are as romantic as the towering masts of a clipper ship of another century.

Besides, captains of industry make a good living. Our society sets a premium on their services, and I should like my son to profit by this preference.

NOW THEN, what sort of stuff must my son be made of if he is to follow the path I so subjectively have advised? He must be quite a man. He must understand all of the mechanics of running a business; but that is the smallest part of all the things he must understand. He must be a manager, and beyond that, an administrator. He must know his industry, but more than that, he must correctly gauge the position of his industry within the larger area of society as a whole.

If he studies the domestic scene, he must reflect upon external conditions as well. If he concerns himself with production figures, he cannot ignore the rate of consumption, either. If he knows what is good for his business, he cannot dismiss from his mind those things which are good for the country. From time to time he will be called upon to speak his mind on subjects which vitally affect the livelihood of many people. What he has to say, no matter how he phrases it, will be interpreted as the thinking of other men in similar positions as his own. The hopes and ideals of an entire country are reflected in every decision which he helps to formulate. He is an industrialist. But more than that, he must be an Industrial Statesman. If he can measure up to such a total man, he will represent one of the greatest achievements of a mature America. Fortunately, there are some good examples around today which he can follow.—HB

Here are five rules which will help you distinguish the quack from the man who knows what he is talking about

Do You Know an Economist When You See One?

by Lawrence E. Leamer

ASK ANY LAYMAN how to cure the measles, and he will readily admit his ignorance and refer you to a doctor. But ask him how to stop inflation, and he'll probably have a simple, ready answer. If he doesn't, he won't think of referring you to an economist.

"Why the difference?" Certainly not because measles are so much more complex than inflation. Certainly not because only measles really matter. Rather is it not because we generally prefer to be our own economists? For after all, economics is largely common sense based on practical experience. Who will admit he is lacking in either?

As a matter of fact, most of us have our "reliable sources," our favorite editors or columnists, or their equivalent, who give us our economic views ready-made. Thus, as "lay economists," we can be only as wise as the origin of our economic information. How can we know a competent source of economic information when we see one?

This is not a problem confined to economics. For example, I have regularly stumped my dentist by asking him how I, a layman, could be sure that he really is competent. My curiosity, I suspect, is usually viewed by my dentist friend as a sign of impertinence. In desperation he points to his diploma on the wall.

But all dentists have that. And so I have clumsily tried to work out some simple approaches to the problem. Is he scrupulously clean? I imagine if I can see minor failures in this respect, there must be other major failures in realms I cannot see or understand. Does he give evidence of keeping up on dental research? My intuition aids my judgment when I listen to his reaction to the latest tidbit I have picked up from the daily press about fluoridation or "socialized" medicine or anesthetics. Finally, does the filling fall out or the tooth still ache afterwards? If it does,

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has he a "good" reason?

Unfortunately, to judge economic competence is even more difficult. It has been proposed that economists be licensed, as dentists, doctors, and the like. A Ph.D. in economics is roughly equivalent to a D.D.S. or an M.D. Therefore, why not make a Ph.D. the prerequisite to economic authority? There would be about 4,000 "licensed economists" in this country, with an additional 400 being licensed annually. That would be one economist for every 40,000 of us. A great abundance!

Incidentally, practically all the people on whom we now rely for economic information would by this standard be ruled out of the competent. For example, such popular writers as Stuart Chase, Peter Drucker, Henry Hazlitt, Sylvia Porter, Joseph Livingston and David Lawrence have no Ph.D. in economics. Such labor economists as Stanley Ruttenberg, Robert Nathan, Sol Barkin and Mark Starr would "lose their authority." Of the top appointive officials in Washington, only Gabriel S. Hauge, Administrative Assistant to the President, and Arthur F. Burns, Chairman of the Council of Economic Advisers, would qualify. Incidentally, Burns' predecessor, Leon H. Keyserling, would have had to be called "incompetent" by this criterion. In Congress, only Senator Paul Douglas would pass our test.

You might think a Ph.D. is much too stringent a requirement. Perhaps. Besides, there are many reliable economists who do not possess higher degrees.

So we are left with the problem of determining standards comprehensible to laymen — standards which every competent, reliable economist will measure up to, but which most charlatans, dilettanti and ignoramuses will fall short of. Since economists are not expected to be scrupulously clean, my insights from my dentist's chair are of limited relevance. Yet perhaps, as with the dentist, we can put our would-be economist on the defensive and thereby make him reveal himself in ways which will suggest the degree of competence he really possesses.

DOES HE SEEK to make us believe we can have our cake and eat it, too? For example, it has been the practice of certain politicians to create the impression that we can be the beneficiaries of various wonderful plans (which of course we are for), and we can have lower taxes and government expenditures (which all of us applaud), and still not sacrifice anything of our personal or national interests. Such a combination of promises is palpably absurd. Yet most of us love to cheer the romantic demagogue who dramatically describes the way to

get something for nothing.

The very heart of economics and the economic way of thinking concerns the "counting of the costs" of such grand projects. An economist, whether he has a Ph.D. or has picked up his wisdom in the corner store, is one who by training and habit helps us to define what must be sacrificed to attain any goal.

Most of us, out of necessity, are far more astute about the economics of our personal affairs. The limitations of our income, for example, force us to compare the alternative ways in which we may spend our money. Thus, I know if we all go on a vacation next week, it is at the expense of a new sofa which we would like to have.

But when it comes to social or political policies, it is easy to overlook these alternative costs. They are so much less evident. The magic of government tends to create the illusion that we can vote ourselves bounties without sacrifice by anyone; and many irresponsible political leaders are glad to foster the illusion for the sake of our votes.

The true economist, as a scientist, is trained to discover and to make explicit the alternative costs involved in any policy. We all dream of a world in which all can be had by mere wishing; but we still live in a world in which what we can attain is usually at the expense of some almost equally desirable alternative. So beware of the would-be economist who says we can have our cake and eat it, too!

DOES HE DISPOSE of economic policies of which he disapproves by calling them "reactionary," "communistic," "radical," "fascist," "the thinking of impractical dreamers," or the like? Some irresponsible economic authorities have a pretty low estimate of our intelligence. Other incompetents, perhaps lacking intelligence themselves, act like small children. Both groups seek to "prove their point" by name-calling, by arousing our emotions with "trigger words."

Of course, we must be careful to distinguish the "authority" who is a mere name-caller from the one who indicates carefully the precise feature to which he objects.

You will note that our dictionary of economic profanity falls into two categories. First, there are the terms of ill-repute which quite naturally tend to violate our sensibilities. The response is emotional, and we must guard against it. Secondly, there is that group of derogatory names by which our charlatan creates the impression that the policy decried is the brain-child of an incompetent. For example, the "practical" economist, not knowing any better argument,

may seek to dispose of the ideas of his opponent by calling him "idealistic," "impractical," "academic," "ivory-towered," "theoretical," and so on. If such an epithet has any truth, it should be revealed by evidence. Standing alone, it is a mere monument to the unwillingness or inability on the part of its author to present a reasoned argument. Therefore, consult your dictionary of economic profanity, not to build your own vocabulary, but to identify the would-be authority whose advice you cannot safely follow.

DOES HE KNOW when he is talking economics and when he is merely expressing his personal values? Many "authorities," and often well-meaning ones, will tend to use economic facts in the support of policies which may not be in the best interests of society. A good example of this is the emphasis that we all place on attaining a more productive economy. Economics has much to offer to help us develop a highly productive economy, a growing economy and one which is not seriously troubled by inflation and deflation or by periodic unemployment.

But as people we want more than a productive, stable economy. We want freedom, justice, equality of opportunity, a sense of belonging and many other conditions which grow out of non-economic values. Some policies may make an economy more productive—but, as in Soviet Russia, at the expense of freedoms we value more than the attainment of productivity.

Perhaps the most common error made in this respect arises from the fact that we frequently consider the achievements of existing institutions as ends in themselves. Thus capitalism, by far the most productive of any current type of economic organization, tends to breed in us a reverence for productivity. Business leaders especially, who are daily leading the campaign for greater efficiency, sometimes make this capitalist-bred value their god. The emphasis they place on productivity often beclouds the greater goal of attaining a world which is richer in non-material values as well as in material ones. The science of economics teaches us ways in which to enhance the wealth of a nation. But economics does not tell us how to develop a *good* society, except in so far as material wealth is appropriate to our higher aims.

Thus, the authority who is using the science of economics to define the nature of a good life, and he who judges policies only in terms of productivity, efficiency, or the like, are both victims of intellectual near-sightedness. Economic authorities and laymen should recognize the distinction between

economic facts and values that go beyond economics.

DOES HE SEEK to win our support by appealing to our class interest? This is a failure we readily recognize and disapprove when we hear a demagogue make his appeal to an economic group *not our own.* As a teacher I readily recognize and disapprove of partisan appeals when they are made to a labor group or to a management group. But in publications or utterances intended especially for me, such appeals sound so logical that I have difficulty not being led astray.

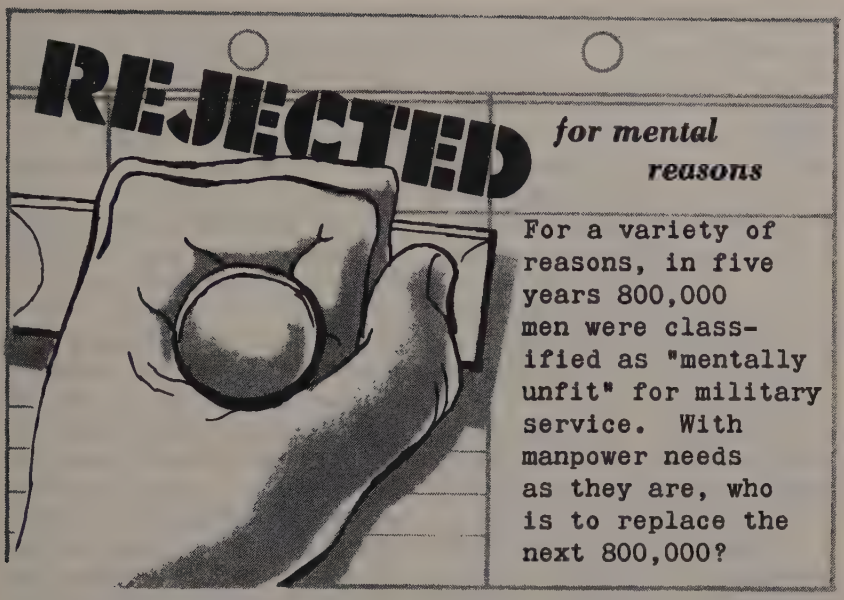
It may be expecting too much of man, the romanticist, to recognize demagoguery when his own special interests are being upheld. But honeyed words and the facts of life make poor companions. *It is possible for any group of us to gain something at the expense of all others.* The demagogue will so win us by appeals to self-interest that we are lulled into indifference to the indirect harm our gain does to others—and eventually to ourselves. As already indicated, economics should teach us to expect alternative costs, even for gains to ourselves. Perhaps those who are genuinely concerned with the moral consequences of their acts and the policies they favor can be moved to seek these indirect costs. If so, they may be aided in their quest by listening suspiciously to the would-be economist who seeks to win our mind by appealing to our special interests or emotions.

FINALLY, does he make his assumptions and conditions explicit when he predicts future economic events? Economists and would-be economists are an important breed of modern professional soothsayers. An economist hardly meets a layman before the latter asks him to predict the future. And most economists, flattered by their reputed professional omniscience, aim to please.

But since economic predictions can only be made in terms of a specific set of assumptions and conditions, you can identify the "would-be economist" by his failure to make these assumptions explicit.

True, these five rules are mainly useful for identifying the incompetent or the irresponsible. Among the competent there is a wide range of competence. As with my dentist, we may have to judge their wisdom by whether their advice "works."

But as a layman you will be surprised how many popular sources of economic information these principles identify as unreliable. Try them on the next commentator you hear, the next columnist you read or the next "economist" you meet. ■


REJECTED
for mental reasons
For a variety of reasons, in five years 800,000 men were classified as "mentally unfit" for military service. With manpower needs as they are, who is to replace the next 800,000?

AN UNEASY truce in Korea and a world-wide assortment of wars of nerves and shooting wars add up to one certainty for the American people: our armed forces will not fall much below 3.5 million men. Neither the Pentagon nor Selective Service headquarters talks much any more of cuts in draft calls. On the contrary, more men will be drafted in 1954.

During the twelve months following July 1, 1954, 1.1 million replacements will be needed, as against 650,000 during the twelve-month period which began last July. What now worries manpower experts is this: can we really afford to reject as unfit for military service one out of every five young men eligible for the draft? Nearly half of all rejections were for so-called "mental" reasons.

Under the Selective Service Act of 1948, almost four million men in their late teens or early twenties have been examined for the draft. Additional draft-eligibles have enlisted, and still others have received temporary deferments for non-physical-mental reasons. If the enlistees and those temporarily deferred were included, the ratio of rejectees would be approximately one to five. However, of those actually examined, 1.7 million have been rejected by their local boards, or by Selective Service after pre-induction exami-

nations under standards set by the armed forces.

It is disturbing enough, in a country as rich and as medically skilled as ours, that so many youths have been physically disqualified for military duty. It is perhaps more alarming to learn that of the 1.7 million rejected, 800,000 have been found unfit because they were suffering from mental disturbances, or were retarded, illiterate or emotionally unstable.

Furthermore, we may soon reach the bottom of the already depleted manpower pool. In two or three years, draftees will have to be drawn from the "thin generation" of the middle 1930s. The manpower shortage will not be overcome until around 1960, when males born in the high birth rate period of 1940-45 will be coming of age. Thus, concern for the nation's health is intensified by concern for the national security. How dark is the picture, and what is behind the statistics on mental rejections?

Of the 1.7 million men presently in the 4-F class, about 35 percent were disqualified for failing the "mental test," known as the Armed Forces Qualification Test (AFQT). Another five percent who failed the AFQT were also rejected for physical reasons. The AFQT should not, strictly speaking, be considered an intelligence test. Psychologists prefer to call it a screening device and a criterion of learning ability. The Army—which takes most draftees—wants to know whether or not a man can read and understand what's on a bulletin board, and whether or not he can learn how to handle a rifle and to follow orders if he can't give them.

NOT ALL of the 40 percent who failed to achieve the minimum score on the AFQT are hopeless dullards or simpletons. Some are illiterate or could just barely spell out their own names. Others, of course, are backward or "slow," what manpower specialists call "marginal men." But even in such cases, it is often a poor environment and inadequate or discouraging schooling that are at fault. Still other rejectees have not been raised with English as their native tongue and so are "illiterate."

About six percent of the 4-F classification were rejected for psychiatric reasons: the mentally ill, the emotionally disturbed, the delinquents and trouble-makers. Local draft boards classified another two percent as 4-F for obvious mental disorders. And it is likely that the number of emotionally disturbed young men would appear higher if the statistical tables were to list more than the major reason for rejection. On the plus side, it is pointed out

that many of the physical defects that are cause for rejection are relatively slight and often correctable with minor treatment.

Before the Korean war, the armed forces could afford to be more selective. In 1948 and 1949, some Southeastern states had rejection rates of over 50 percent. Physical standards were lowered in 1950, and are now about the same as at the end of World War II, when they were least stringent. But in practice, a man can still be refused at an induction station because of a decision that correcting even a minor defect would not be worth the expense and the man-hours lost. Mental and educational standards are slightly lower now than at the end of the war. However, the services feel that some men who can barely meet mental-physical requirements are a hindrance in training. And in today's smaller armed forces there are fewer jobs that only semi-literate or retarded men can usefully fill.

Psychiatric rejections are now at about half the World War II rate. The change here has been one of policy and is based on a reassessment of the whole method of psychiatric evaluation used during the war. Up to August, 1945, besides the 716,000 men broadly classified as mentally deficient, 970,000 were refused on psychiatric grounds. Another 780,000 men were prematurely discharged—half for ineptness or undesirable traits of character, half for emotional disturbances or more serious neuropsychiatric conditions. Thus, one out of ten men was found incapable of successful military service because of some mental reason.

It is hardly surprising that when these figures were released after the war the reaction was one of shock and dismay. But some were not astonished. One psychiatrist—as quoted in "Psychiatry and Military Manpower," a study prepared by the Conservation of Human Resources Project of Columbia University—said that the statistics merely show that "the level of emotional maturity of our people is deplorably low." It has also been observed that in the Civil War separations from service for "nostalgia" ran at about the same rate as discharges for neuropsychiatric difficulties in World War II.

MOST psychiatrists who worked with the armed forces have concluded that their screening at induction stations should be far more "coarse" than policy demanded during the war, and that a man should not be rejected on an impression that he might break down. They also realize that it is extremely difficult to learn much about a man in the anxious,

strained atmosphere of an induction station. Frequently doctors were so rushed that they could ask only a few routine questions: "How do you feel? Have you ever been sick? Do you feel nervous? How do you think you'll get along in the Army?"

It is pointed out that over half the men rejected for psychiatric reasons had emotional disturbances. Few of these men had ever been hospitalized. Most had made satisfactory adjustments to society, were self-supporting and had not had trouble with the law. It is now generally agreed that everyone has his breaking-point, and that men cannot be simply divided into the weak and the strong. Since it cannot be known beforehand what stresses a man will be subjected to in the service, a wise manpower policy would look for strength rather than weakness. Prior hospitalization or treatment for a mental disorder or other strong evidence is now considered necessary for rejection.

Today, the manpower problem is more one of finding ways to utilize effectively the uneducated and "marginal man," while using dollars effectively. During World War II, the armed forces reluctantly took in some 500,000 semiliterates and gave them special educational training, to about a fourth-grade level. Eighty-five percent of those in the Army's special training units graduated, usually in less than the specified thirteen weeks, and became effective soldiers.

It is argued, however, education isn't the Army's business. When the illiterate man is immediately grouped with better educated men, he will fall further behind and may become a complete loss. Congress does not always seem to have understood these problems, and has required the Army to accept some men who had failed the AFQT, but severely limited the time they could be kept in training. The Army is once more trying special training for illiterates.

In the absence of total mobilization or some form of universal military training, present policies will probably be continued. Maj. Gen. Lewis B. Hershey, Director of Selective Service, recently suggested that with lower acceptance standards, 100,000 to 120,000 more men a year could be given a six-months' training program. Such a program would build up our reserve forces, and could be started at once and operate concurrently with the draft. The proposal will seem drastic to many, yet it would distribute more widely the duty of military service. And such a program could absorb many men now rejected. The critical manpower situation may soon require the maximum utilization of all our resources. ■

Asia's Newest Religion

Caodaism, with three million adherents, may tip the scales against the communists in Indochina

by Albert Abarbanel

IN WAR-TORN Indochina the armed forces of a fantastic new religion are giving the communists more trouble than all the fighting men and *matériel de guerre* thrown into the struggle by France and her allies.

Known as *Caodaism*, the strange infant faith leans heavily toward the occult, proclaiming the reality of such phenomena as communication with the spirits of the dead and reincarnation. Adherents practice rites involving the use of mediums, table-rapping, spirit-writing and other "psychical" devices.

Yet these beliefs and practices do not prevent the intensely nationalistic and anti-communist Caodaists from putting into the field a tough, well-equipped army of twenty thousand men which has whipped the Reds thoroughly in many encounters.

Officered by veterans of guerilla fighting against the Japanese, and commanded by wily, thirty-five-year-old General Nguyen-Van-Than, the Caodaist army now controls an area of some 1,200 square miles in the vicinity of the "Sacred City," Tay-Ninh. In that area, absolute order prevails; every foray of the Red partisans under General Ho-Chi-Minh has been ruthlessly beaten off. While the Caodaist army acknowledges

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Albert Abarbanel, an expert on foreign affairs, is also an experienced writer and lecturer in philosophy and the social sciences.

the temporal sovereignty of the French and the Viet-Namese authorities, it is actually responsible only to the sect's present pope, Pham-Cong-Tac.

Symbolizing their spiritual independence and ultimate goal of political independence as well, the Caodaist forces habitually fly three different flags while in the field: the Tri-color of France, the yellow-red banner of Viet-Nam and the Sundial Emblem of their god, Cao Dai.

IN ADDITION to being a potent military force, Caodaism is perhaps the most amazing and most rapid-growing religion in world history. Only thirty-five years old, it numbers more than three million adherents. Recently Caodaist missionaries, infiltrating into communist ranks, have gained many converts. Official French estimates put the total at more than a quarter-million during the past year alone. These converts have either remained with the Reds to sabotage and continue the work of proselytization, or they have deserted to the Caodaist forces.

Only a short time ago, Red commander Ho-Chi-Minh got what was literally a rude awakening. Aroused at dawn, he was informed that during the night Caodaists had plastered the walls of his headquarters with anti-communist posters. Since it was virtually impossible for enemies to infiltrate communist positions without being detected, it was obvious that disloyal elements within Ho's ranks had done the job.

Though Caodaists indulge in spiritualistic seances, they are as modern as their communist enemies when it comes to propaganda. From the Sacred City of Tay-Ninh, short-wave radio constantly pours out anti-Red propaganda, while a staff of more than fifty artists and writers works on all sorts of pro-nationalist publications which are distributed by the thousands of copies where they will do the most good. More than ten thousand Caodaist missionaries, including several thousand young women, are now undergoing special training.

The French admit frankly that Caodaism, with its weird mixture of mysticism and patriotism, "is fast becoming one of the most effective anti-communist weapons on the Asiatic continent."

And pope Pham-Cong-Tac is just as frank. He makes no secret of his ambition for an autonomous Indochina in which Caodaism will be the official state religion. In fact, his ambitions are far grander than that; he envisages an ultimately Caodaist Asia, as well.

His dream is not so far-fetched as might seem at first thought. For the secret of the success of

Caodaism is that it offers something to everybody, both spiritually and temporally. It is a great grab-bag of fulfillment, the like of which has never been conceived before. One of its aims, for example, is a closer understanding between the East and the West, with the East providing mysticism and the West providing the technological advances—all in a spirit of universal brotherly love and cooperation.

PERHAPS the best means of getting a swift insight into Caodaism is to visit the Great Temple of Cao Dai, towering high above the Sacred City.

It is a magnificent, opulent, bizarre conglomeration of many types of architecture, with the Buddhist and Malayan predominating. Everywhere it presents indications that Caodaism deliberately set out to be universal in scope. For example, alcoves in the glistening-white, ornately carved facade of the building contain brilliantly painted stone statues of the "greats" of many religions —Taoist, Buddhist, Confucian and Christian saints—as well as innumerable demons and monsters.

Just outside the vast, beckoning entrance is an enormous mural depicting three familiar figures grouped around a tablet, strikingly reminiscent of the stone tablets in which Jehovah inscribed the Ten Commandments prior to giving them to Moses.

Two of these figures are Sun Yat-sen, founder of the Chinese Republic, and the legendary Indonesian sage, Nguyan-Bunh-Khlem. But it is the third figure that is somewhat startling to the Western eye. The likeness of Victor Hugo is unmistakable, resplendent in the uniform of a French admiral, inscribing the words: *Dieu et humanité, amour et justice.*

Inside the temple the conglomerate nature of Caodaism becomes even more apparent. Dominating the interior is a mighty altar surmounted by the "Sacred Eye of God," a transparent globe from which glows a fire which is never allowed to go out. Incidentally, the illuminated eye is one of the most ancient and universal of all symbols of deity.

Resembling somewhat a vast wedding cake, the huge altar is built up in several tiers or levels. The uppermost tier is reserved for effigies of Lao-Tse, Buddha and Confucius, while on the second level are images of various other Oriental near-deities and saints. On the third level is the figure of Christ. No disrespect is meant by this lower position. The other figures are placed higher up, closer to the "Sacred Eye of God" merely because the faiths they represent were established at earlier dates.

The fourth level is reserved entirely for representatives of the "spiritualism-reincarnation" cults. Opposite the altar is the throne of pope Pham-Cong-Tac. After his death his effigy, like the effigy of his sole predecessor, will stand on a pedestal near the papal throne.

ORGANIZATIONALLY, Caodaism is modeled after Roman Catholicism, having three cardinals, thirty-six archbishops, eighty-two bishops and three thousand priests. Believers often refer to Tay-Ninh as their "Vatican City."

The rites of this strange cult are both rigid and mystical. Prayers and spiritualistic seances are held in the temples, which are now scattered throughout most of Viet-Nam, four times daily: at 6:00 a.m., noon, 6:00 p.m. and midnight.

In the seances, Cao Dai frequently "speaks" to his followers, but usually only after an introduction by some minor spirit—such as Victor Hugo or Jeanne d'Arc—and only when high dignitaries of the cult conduct the rites. This oddly bears a resemblance to spiritualistic phenomena frequently noted in the more mundane West.

Caodaism first appeared in Indochina in 1919, following a vision seen by an obscure government official named Ngo-Van-Chieu, who was also a believer in spiritualism and a faithful frequenter of spiritualistic seances.

Briefly, Ngo-Van-Chieu claimed that the Supreme Being—Cao Dai—had appeared to him and informed him that it was his destiny to establish a new religion embodying the "good features" of all other religions, including Taoism, Buddhism, Confucianism, Christianity, ancestor worship and the various spirit cults.

The new religion was to be symbolized by an eye surrounded by solar rays, indicating the enlightenment and guidance of Cao Dai.

WITH A GROUP of friends, also spiritualists, Ngo-Van-Chieu attempted to communicate with Cao Dai. The standard mediumistic devices were used: the trance, table-tapping and spirit knocks, spirit-writing, ectoplasmic materializations, the ouija board and the *corbeille a bec.*

Little known in this country, the *corbeille a bec* or "cock's basket" operates on the same principle as the ouija board. It is a lightweight, cylindrical basket with a rounded bottom to which a pencil is attached by a delicate system of levers. Under proper conditions, an energetic spirit presumably can move the basket enough to write out messages.

With this instrument of communication, Ngo-Van-Chieu and

his associates received messages directly from Cao Dai and from a host of other spirits, great and minor. Converted by this evidence, the group retired to the small island of Phu Quoc in the Gulf of Siam. There, through further revelations, the new faith gradually took shape.

Its basic tenets were simple and not particularly original. They had all been proclaimed before, but Cao Dai himself stated that he had revealed them to various prophets, including Moses and Christ. Primarily these included:

- Monotheism, or the belief in and worship of one god, Cao Dai, regardless of whatever name he might be known by.
- Veneration of a celestial hierarchy of spirits.
- Belief in the immortality of the soul and the survival of the physical body after death.
- A proper understanding of spiritual things.
- Material advancement, in order that the body can be freed from servitude, and the spirit aided to attain peace.
- A life of simplicity, with indifference to riches for the mere sake of riches.
- Abstinence from all sins of the flesh, in particular the sins of drinking and lust.

Despite the obvious merits of the new religion—in particular the idea of merging many religions into one, which is a signal advantage in the Orient—Caodaism remained static because of the failure of Ngo-Van-Chieu and his followers to proselytize. But events were to take a quicker turn.

In 1926 a group of young government officials in Saigon was attending a spiritualistic seance when Cao Dai manifested himself to them and instructed them to contact Ngo-Van-Chieu. Prompted by their urging, Ngo-Van-Chieu held many successful seances, using the *corbeille a bec.*

Interest in Caodaism soared following the conversion of the wealthy mandarin, Le-Van-Trung, who was a member of the governmental council of Indochina. Le-Van-Trung had been a celebrated debauchee, much given to the opium pipe and physical pleasure; but faith transformed him into an ascetic, proof that a major miracle had occurred. He was also getting on in years.

Le-Van-Trung was an astute politician, and possibly his sole remaining lust was for power. It was not long before he received a "revelation" that Cao Dai had appointed him temporal ruler of the faith. In the future, only he and his highest priests would be privileged to invoke Cao Dai and receive communications from him.

In a very short time, Le-Van-Trung established his own priest-

hood, and conducted spiritualistic seances in many cities, among them Cholon, Cangioc, Locgiang, Tandinh, Thudoc and Caukho. These men, mostly from the upper cultural and economic classes, were adept at gaining influential, nationalistically minded converts.

Meanwhile, Ngo-Van-Chieu was quietly eased out of the picture.

By October 1926, the cult had a membership of several thousand, including 247 mediums or priests. Many more prominent personages joined. Among them were Nguyn-Ngoc-Tho, Le-Ban-Trang, Ngu-Yen-Ngoc-Tuong and Mah-Lam-Thi-Thanh. All of these believed in "the Orient for Orientals," and worked hard to gain more converts.

Within a few months Caodaist membership had climbed to twenty thousand. By 1931, the million mark was passed. In the meantime, Le-Van-Trung had received another command from Cao Dai—to set up the holy city and temple at Tay-Ninh, a dictate he enthusiastically fulfilled.

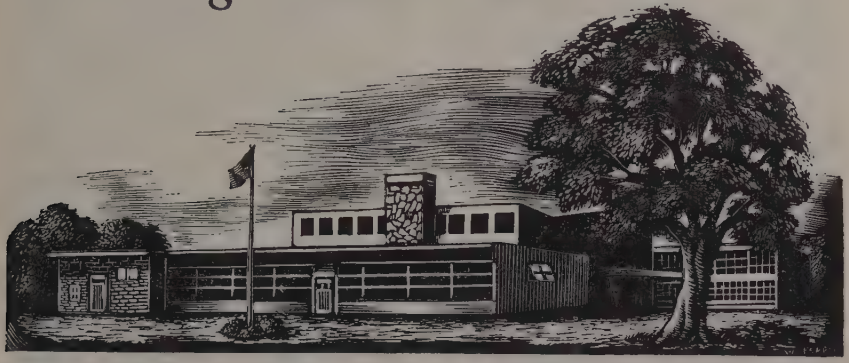
Today, the Sacred City covers nearly 750,000 acres. It contains the great temple and its associated buildings, the residences of the hierarchy and medium caste, shops and schools. It has been termed a "powerful religious oasis in the desert of communism." The Caodaist cult, now numbering more than three million adherents, is conceded by the French to be the "most numerous and militant religious sect in Indochina."

Le-Van-Trung died in 1934 and was promptly immortalized in stone. Pham-Cong-Tac was elected his successor. The French view the present "pope"—in fact the whole concept of Caodaism—with mixed emotions. They have a keen hunch that whatever happens, they are caught in a "heads-they-win, tails-we-lose" situation.

Pham-Cong-Tac tells the French flatly: "We will have autonomy at a future time." Well-educated, speaking both French and English fluently, conversant on world affairs, he continues to expand the influence and membership of his cult and its military forces as well. Since 1947, he and his followers have consistently supported the French in their fight to drive out the communists.

In return France is liberally supplying the Caodaist army with the tools of war and backing Pham - Cong - Tac's campaign to make Caodaism the official religion of Indochina. Considering the Caodaist successes against communism, the French have made a good bargain—for the present. What advantages this alliance will hold in the future, after the communists have been defeated, is a matter of troublesome conjecture.■

Financing Modern Education



Our schools have not shared in the general rise in the nation's income and standard of living. The alternative to improvement is chaos at all levels of our educational system.

by Seymour E. Harris

IT IS a striking fact that the richest country on earth—a country whose share of the world's annual output of goods and services is seven times its share of population; a country whose annual output doubles about every twenty-five years, a country whose real income per capita, after taxes, rose by about one-half in the last fifteen years—suffers from one educational crisis after another.

Yet, in some respects our difficulties are not so surprising. One reason for the perennial crisis is the great demand for education in this country. Virtually all children of elementary school age go to school. Soon, close to 80 percent of those of secondary school age will be in high schools. We are approaching a one-to-five ratio of those of college age at institutions of higher learning (IHL).

This country sends about twice as many of the relevant age group to secondary schools as Western Europe, and five times as many to IHL. By almost any standard, we are a go-to-school civilization.

Education of the thirty millions at school and college involves an annual outlay of about nine to ten billion dollars per year, or about three percent of the annual out-

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put of goods and services. More than two-thirds of this money is contributed by government—particularly by local and state governments, which provide almost six billion dollars for their public school systems. Local governments, according to latest figures, pay 55 percent of this bill, and state governments 45 percent.

With the national income at 300 billion dollars, the nine-to-ten-billion-dollar educational bill should not raise serious problems. One cannot estimate the total loss of national income should our educational system collapse. The fact is that few outlays are more productive, even in dollars and cents, than our educational expenditures.

WHY ARE our educational institutions confronted with serious financial problems? One reason is that they are so dependent on public revenues. Over a period of twenty years, the nation's tax bill has risen from ten to 100 billion dollars. The major rise has been for defense funds; but in the last fourteen years social security outlays (for education and health and for care of the old, the unemployed, the sick, the veterans, the indigent) have risen from 7.8 billion dollars to 23.4 billions. Moreover, in order to contend with the large responsibilities assumed by the federal government, that government has absorbed the major productive tax revenues. In the course of the new development in spending patterns, education, which is traditionally a function of local government, has especially suffered. This might be expected when it is realized that education accounts for only a little more than one percent of the federal welfare budget and 55 percent of state and local welfare budgets.

It is particularly unfortunate for American education that the major portion of the educational bill is paid by local government, especially since local government depends so much upon the general property tax (GPT).

The GPT is an unjust and most inflexible tax. For example, in a period when the national income rose by six times and prices doubled, the yield of GPT rose only by two-thirds. It is no surprise, then, that school finance becomes a tug-of-war between real estate lobbies and teachers' unions. With a promised rise in enrollment of nine million, or 34 percent, and with construction needs in excess of ten billion dollars to be met, the country is facing a serious educational crisis.

Fortunately, dependence on the GPT has been lessened to some extent by the introduction of new taxes in municipal finance and by increased state aid, which now accounts for about 45 percent of

public school revenues. But in those states where supplementation of the GPT has been meager and where state aid has been insufficient (e.g., in Massachusetts where it amounts to only 15 percent), the schools face financial crises.

INSTITUTIONS of higher learning (IHL) face similar problems. Their financial troubles have also been heightened by inflation, for two of their chief sources of revenue, tuition and endowment income, do not tend to rise at the same rate as prices. But this is an oversimplification. Actually, revenues of IHL are three times what they were in the pre-war years, and only a part of this increase was lost in the decreasing purchasing power of the dollar. But the increase in enrollment, the reduction of gifts (endowment income), a 60 percent decline in the value of past gifts made before the war, and the high costs of needed construction (estimated at three-and-a-half to eight billion dollars by 1960 by various authorities)—all of these have weakened the financial structure of the IHL.

It is interesting, in view of the great difficulties of public schools, that over a period of sixty years the rise of educational expenditures per student in IHL was only one-fifth as large as for public schools. It is also a fact that in the last twenty-five years, the expenditures per student in dollars of stable purchasing power have tended to decline—and this in a period when the real income per capita of the nation after taxes has increased by 50 percent.

As might be expected, financial difficulties have resulted in a deterioration of educational standards. This is evident, for example, in the relative decline in the status of the school teacher. In the forties, the teacher's pay in the schools actually rose at a slower rate than prices and, therefore, his real income was lowered. Although by the fifties teachers' salaries overtook the rise of prices since 1939, their standard of living did not improve nearly as much as that of the population generally and was much below the rise for physicians (money income up 150 percent), dentists (100 percent), and lawyers (close to 100 percent). In the colleges, teachers' salaries have fallen not only relative to other incomes but relative to prices as well. Such deterioration is bound to result in an exodus of teachers seeking higher-paying positions, in failure to attract men and women of talent, and in shortages. The last problem is especially serious in the public schools which are in a period of steep rises in enrollment.

There is other evidence of the unfortunate effects of the eco-

nomic problem. Physical plant is very much below par. Expenditures on supplies and books as well are below what they ought to be. For example, the public schools, believe it or not, spend about fifty million dollars annually for textbooks, or less than two dollars per pupil per year. This is a surprisingly small sum. The total cost of school books for a twelve-year education is about 1/1000 of the cost of rearing a child to age eighteen. Does this suggest the proper allocation of economic resources?

WHAT ARE the cures for the current crisis in educational finances?

The most obvious is a rise in aid from state and federal government. In recent years, the proportion of state aid has tended to increase, though it must be recognized that state governments, under present rates of taxation, cannot easily increase tax revenues. One of the major recommendations of the President's Commission on Higher Education was for much larger contributions by state governments to IHL. But the proposal to double the state outlays on higher education, with state institutions increasing their enrollment from 50 to 80 percent of the total, would increase total outlays of state government by four percent, a large additional burden under present conditions.

Federal aid is the most talked-about source of additional funds. Many bills have been seriously considered, for federal aid to both public school education and to IHL. Unfortunately, the pressure of other demands and the present high rate of taxation have dimmed the enthusiasm of legislators. In elementary education, the issue of exclusion of aid to private institutions and the issue of church-state separation has also been an obstacle. In higher education, an important obstacle has been fear of federal domination of IHL. Even in medical schools, where the serious shortage of doctors has aroused much agitation for federal aid, the AMA has obstructed any progress along these lines because it is fearful of governmental control of medicine.

Another proposal for IHL is to raise tuition rates. Tuition charges have not risen as much as they might, and undoubtedly more revenue could be obtained from higher tuition. But every increase tends to exclude youths from less wealthy families and thus tends to eliminate potential leaders. Even today, only about 40 percent of the top 25 percent of our students go to college, and only half of these are graduated.

Are there any ways out other than increased government aid and substantial increases in the tuition rates of IHL?

An obvious out is to cut expenditures for education. Few would cut them with a view to reducing available facilities; but there are economies that could be made. In the public schools, for example, it is possible to consolidate units, a movement that is often confronted by local opposition. The amount of money made available for education could be greatly increased without corresponding burdens if state aid were offered on the basis of need (as in Minnesota) rather than on the basis of property values and similar criteria. It is absurd to give aid to a locality with income per student ten to twenty-five times as great as the average.

Also effective would be a less rigid earmarking of taxes (e.g., all gasoline taxes for road improvement), which deprives the state of the most effective use of funds and militates against adequate financing of the educational system in many states. New York State, for example, seems to be on the right track. In a recent year more than 90 percent of New York State taxes went into a general fund and hence were available according to needs.

In IHL the possibilities for economies are many. In recent years junior colleges have become of increasing importance. Because these schools are generally established in large population centers, the cost of the first two years of education can be greatly reduced, in part because pupils live at home. In twenty-five years, enrollment in junior colleges has risen from 27,000 to 242,000; and their importance is likely to increase greatly. A case can be made for discouraging attendance at a four-year college for men and women of average or less ability and for those who do not intend to take professional training. In such instances there would be substantial savings through the substitution of the junior college for the four-year college.

Many economies in the administration of colleges can be introduced. Excess capacity, unwise financial policies (e.g., a few of our largest institutions tied themselves down to a rigid formula in determining investments), poor use of professors' time (a $12,000 professor frequently has to do his own secretarial work and write letters by hand), inadequate planning for plant needs, undertaking research projects which put a burden on overhead, excessive number of institutions resulting in higher unit costs (a liberal arts college with enrollment under five hundred spends $183 per student for administration and general purposes, but only $118 with enrollment of two thousand or more)—these are a few of the

shortcomings which need weeding out to get an increased yield per dollar of expenditures.

ASIDE FROM higher tuition, government aid, and economies, what can be done to keep the colleges from staying in the red? One approach is to get larger contributions from business, and especially from corporations. The Commission for Financing Higher Education emphasized this way out. In 1950, corporations contributed about 250 million dollars in *all* gifts, or about 0.61 percent of income before taxes. Of this sum, IHL received about 45 million dollars. Additional gifts of about 250 million dollars to IHL at a cost to the stockholders of only about sixty million dollars (taxes are saved) would greatly ease the financial problem. Unfortunately, there are still legal difficulties; and many are fearful that too great dependence on corporations, like too great dependence on government, may jeopardize the freedom of IHL. It is best not to be too dependent on any one source of revenue.

That is why another solution greatly appeals to the writer. Why not require that each student pay the full cost of his education, either while in college if he can afford it, or during working years when he can better afford it? Why should college graduates be subsidized when their lifetime incomes exceed those of non-college graduates by $100,000, and in the case of medical school graduates by about $250,000? Each student would then pay about $1,600 to cover the average cost of four years' tuition. (For medical school graduates the bill would come to about $12,000.) The wealthy student would pay all while at college. Each student, after college, would pay the unpaid part of the total bill on the basis of income received; that is, a percentage of all college graduates' income would be assessed in order to yield the unpaid portion of the bill run up by all students. The fortunate ones with higher incomes would pay more, and the less fortunate, the poor, pay less. Total payments would amount only to about one percent of the lifetime income, with the government, through tax remission, paying about one-third. (This is on the assumption that the obligation is moral, not contractual. If defaults are large, contracts may be necessary.) In this manner, the government could also contribute perhaps 30 to 40 percent of the unpaid bill in tax remissions—with no danger of government trespassing.

In the first years of operation of this plan, most students would be required to pay their way as at present, except that they would

be charged at a rate equal to full costs. This would get IHL out of the red in which they presently operate. Gradually, as IHL accumulate funds, students would be allowed to cut their payments while in college, the cuts to be determined by economic capacity and achievements at college. Also, installment finance through a comprehensive system of bank financing could be extended even to non-tuition costs.

ONE final relief. Parents might receive exemptions for children at IHL from income tax equal to the average cost of sending a child to college—say, a minimum of $1,200 as against the $600 now allowed. A parent with four children to send to college needs a very high income to finance a higher education bill that might cost $24,000 over a period of ten years. Only about three percent of the population makes an annual income of $10,000 or more. Even this three percent could scarcely be expected to save $24,000 for higher education, as well as save for even more essential needs. The income of the parents is much below average in the first ten years of married life. As children begin to go to college, parents may have had five to ten years in which they could save substantial sums. Certainly, savings of at least $2,500 a year would be required for the parents of four college students. This is obviously difficult if not impossible.

These, then, are the problems of financing modern education. They will become more acute with each succeeding year, and before long we shall have to make a very determined and concentrated effort to find the solutions. Failure would be disastrous. ■

The Legality of Corporate Gifts

The right of a corporation to make a gift to an educational institution has already undergone a ruling by the courts. The A. P. Smith Manufacturing Company recently made a grant of $1,500 to Princeton University. This action was appealed by a group of stockholders on the ground that it was not authorized by the company's charter. It was their allegation that company funds could be used to create profits only for the owners themselves. In decisions by the Superior and Supreme Courts of New Jersey, the validity of the gift was upheld. The Courts pointed out that no segment of American institutional life has a greater incentive to provide funds for the hard-pressed universities than the business community itself.

On October 26, the U. S. Supreme Court refused to hear a final appeal for want of a substantial federal constitutional question.

Some interesting facts about the academic and technical training of the men who run our largest enterprises

The Educational Backgrounds of Business Leaders in The United States

WITH THE American business leader moving into the forefront of almost every phase of American life, it becomes a matter of interest to all of us to learn something of his educational background. That our business leaders work with the most complex and expansive economic mechanism in the world is a well-known fact. That they work in an economic and political atmosphere in which each man in each business unit exerts an influence on others, and in turn is affected by the decisions and actions of others, is further proof of the great abilities that business leaders must exercise. The proper training of these abilities, whatever "proper" may be, is undoubtedly a great asset to the man who every day must make decisions vitally affecting the future of his enterprise and of the entire country, as well.

The object of this study by Dr. Harold S. Sloan was to discover the nature and extent of the formal education of the principals in leading American business organizations. For the purpose of this study, "principals" are defined as officers and partners. From 3,784 business organizations appearing in "Who's Who in Commerce and Industry" (Volume VII, published by the A. N. Marquis Company, Chicago, Ill., 1951), a random sampling of 946 organizations was considered. Out of these 946, a grand total of 2,387 individual biographies were examined, and from each biography relevant information was tabulated. The resulting facts can be summarized as follows:

1. There are approximately sixty-eight chances out of a hundred that the age of a principal in a leading American business organi-

This report is based on a survey by Dr. Harold S. Sloan, Adjunct Professor of Economics at the Graduate School of Arts and Science, New York University.

zation is between forty-six and sixty-six. The median age is fifty-seven; that is, there are as many older than fifty-seven as there are younger.

2. Almost two out of every three principals are college graduates. The younger the executive, the greater are the chances that he is a college graduate. Conversely, the older he is, the fewer are the chances that he is a college graduate.

3. Of those business principals and executives who are college graduates, a little more than two out of three have a formal education of a non-technical nature. There are more non-technical graduates among executives who are younger than fifty-seven, and less among those who are older.

4. Among those principals who are non-technical graduates, about two out of three hold a bachelor's degree in liberal arts. About one out of four holds an LL.B. degree (Bachelor of Laws). Less than one out of ten holds some degree in business.

5. Of those principals who are not college graduates, a little more than half have attended college or have taken courses of more or less college grade.

WHAT long-range conclusions can we draw from the above? For one, it would seem that a college education has already been established as a definite advantage in the attainment of leadership in the business world. This will be true even more so in the future, and the survey conclusions in paragraph 2 above clearly indicate the trend. However, we cannot be as certain about the type of college training which will have the highest incidence among business leaders of the future. The survey indicates that of those leaders who are now between forty-six and sixty-six years of age, more than two-thirds of them had a non-technical education and that less than one out of ten holds a business degree. This seems to put major emphasis on the liberal arts. Nevertheless, in evaluating this apparent emphasis, it must be kept in mind that thirty or forty years ago, when the business leaders considered by this survey were in school, engineering and business colleges comprised a smaller part of this country's higher education structure. With the present-day increase in enrollments at engineering and business schools, it is quite possible that forty years from now the liberal arts graduate will not retain his apparent present-day dominant role in leading American business organizations. The survey makes no predictions, however; nor does Dr. Sloan comment upon whether his findings are favorable or unfavorable to the welfare of American civilization.—HB

Consumer credit has reached a level which poses the question of how much is good and how much is bad

INSTALLMENT BUYING

Where Is It Leading Us?

FOR THE second night in succession the distracted-looking family man in his early thirties pauses on his way to the bus stop after work, and walks up to the floodlit front window of the appliance store on the corner. Again his eyes play over the square-set white and chrome automatic dishwasher gleaming in its extravagant red sash.

At home, the job of keeping house and tending their three youngsters, with another on the way, has been wearing down his wife lately—despite the multi-vitamin pills. Her sister owns a washer like the one in the window, and she has been pouring out praise of its advantages. But, they are looking toward making a down payment on a house. And there is talk at the company of a slackening of orders that could lead to layoffs in the next year. Right now he is earning $125 a week with overtime, and has $900 in the bank.

Should he buy the automatic dishwasher, for Christmas, using the installment plan?

In deciding whether or not to buy "on time," this more or less typical consumer of ours won't likely bother his head beyond the comfort and security of his own wife and children. And if he chooses to buy, the credit manager who passes on his application will no doubt concern himself only with his stature as a risk. But in the thousands of such decisions being made during this period of doubt over economic conditions ahead, the country as a whole has a stake.

Actually, current decisions as to the use of consumer credit may affect the well-being of all American families. Such decisions undoubtedly will have an impact on retailers, banks, manufacturers

and even entire industries.

At the present time we seem to have arrived at a turning point in the use of consumer credit.

The power of this medium in boosting the standard of living—through encouraging the purchase of relatively costly goods and services by bringing them within immediate reach—is not news. Consumer credit has for some time been conceded a key role in the mass consumption characteristic of our economy.

For the past year and a half the amount of outstanding consumer debt has grown tremendously. At the same time its leverage on the output and sale of certain products that do much to set the pace of our economy has increased. Now, suddenly, we find consumer credit on the decline.

What's to be done about this? Little agreement yet exists, mainly because consumer credit as a basic moving force in our economy is still too new to have been researched and thought about by many. As part of the sketchily explored field of consumption in economic study, it stands wide open to professional dispute and public controversy. But the facts are building their own case.

Let us first consider consumer credit from the standpoint of debts owed by families. Slightly more than half of our "non-business spending units," as the 1953 Survey of Consumer Finances by the Federal Reserve System calls them, have short-term debts. (Consumer credit does not here include home mortgages or other forms of long-term personal debts.) Of these units, approximately one in four owe an amount equal to 20 percent or more of their annual income. The remainder owe smaller proportions.

As for the way this debt spreads across families according to income levels, the 1953 Survey of Consumer Finances tells us it is largely concentrated in the middle group—those with annual incomes before taxes of from $3,000 to $7,500. These families receive 60 percent of total family income, and at last word held 65 percent of consumer credit.

In relation to liquid assets held by consumers (currency, bank deposits, insurance, securities, etc.) the amount of consumer debt outstanding remains rather low—about twenty to one. When last tallied, however, 50 percent of liquid assets were being held by families in the top fifth income bracket. Of the middle income families, who hold most of the consumer debt, less than half have as much liquid assets as debt.

As the second way of taking stock of consumer credit, let us look at its influence in the sale of goods. Payment plans are used

primarily for automobiles and major household goods such as living-room suites, refrigerators, washing machines, television sets, etc. At present, credit is involved in three out of every five purchases of these goods. In addition, credit helps to meet many bills for medical and dental care, education, home improvements and vacations.

Auto purchases account for at least half of all payment plans being drawn up. Here consumer credit probably swings its most decisive weight. According to the Automobile Manufacturers Association, the great expansion of the automobile industry over the last quarter century or so has been possible largely because of public acceptance of installment buying. Today, two out of every three American families own cars.

The results don't end there, of course. As recently brought out by *Fortune* magazine, sales of autos (60 percent of which involves consumer credit) make up about seven percent of the consumer market. "The total cost of buying and operating cars accounts for nearly 15 percent of that market; and the passenger auto competes with, and stimulates, in one way or another, practically all the rest of the changing American market."

Apart from its effect on national sales and financial activity, and on automobile manufacturing itself, this business exerts considerable influence on oil, steel, rubber and other giant basic industries. Indeed it is almost disturbing to imagine what these industries would be like without automotive outlets.

To RETRACE the growth of consumer credit, its use did not become popular until after World War I. By 1929 consumer debt reached about six billion dollars. It slacked off during the depression but picked up rapidly in the late thirties. In 1940 consumer debt actually approximated today's high level in relation to total consumer income after taxes, though it probably had less strategic importance.

World War II sidetracked production of most types of goods for which consumer credit was being used. And almost upon our entry into the conflict, the well-known Regulation W went into effect, restricting the use of credit for most consumer purposes.

At the end of the war the use of consumer credit veered upward strongly, partly due to a backlog of demand and partly due to the formation of many new families. Rising prices also spurred the trend.

Two years later, Regulation W was allowed to die. But a new surge in use of consumer credit,

accompanied by other inflationary pressures as the peacetime economy gained momentum, led President Truman to request the revival of Regulation W in the fall of 1948. This time it lasted half a year. Then, three months after the outbreak of war in Korea, it was renewed as a partial damper on the financial flare-up touched off by the rearmament program.

Under Regulation W the use of consumer credit continued to rise, but moderately, until May of 1952. With its removal at that time, "on-the-cuff" buying shot up a record 25 percent in one year.

By now, consumer debt tops 27.5 billion dollars, which is about 285 percent above 1939 levels. Installment credit, calling for monthly payments extending up to three years, makes up four-fifths of this debt. Charge accounts and single-payment loans account for the rest.

BESIDES the stimuli of easier terms as allowed by the removal of Regulation W, and a rise in the availability of durable goods, the gain in consumer credit took impetus from long-range forces. It developed from a continuing rise in the standard of living, which increased demand; from a widening personal willingness to use such credit; from the persistence of high marriage and birth rates; from advertising; and probably most of all, from confidence—confidence in good times and the continuance of personal incomes at or above their present levels.

This last factor stands out prominently when we realize that now, after years on the increase, the use of consumer credit appears to be leveling off.

As last measured in August, installment loans were increasing at the smallest rate in five months. Auto credit in that month fell off to 159 million dollars as against frequent increases of more than 250 million dollars monthly during the previous year. Over the present short run, the rate of applications for short-term consumer loans for all purposes is going down.

It could be that the warnings and omens of an approaching recession have taken effect. Consumers may be feeling an urge to reduce their indebtedness in the face of uncertainty. They may also feel they've about reached the limit of the debt they can carry without strain.

Along with the trend of consumer attitudes, however, an as yet unmeasurable effect on the course of consumer credit is being exerted by lenders. The American Bankers Association has urged caution upon its members in extending further sales credit, particularly for autos. Banks generally are doing so both in

direct dealings with consumers and in lending to finance companies and dealers.

The Wall Street Journal quotes a lending officer of one major bank as stating: "We just aren't interested in extending any additional credit to finance companies. We think they're in deep enough." In their turn, many finance companies are granting less liberal terms to consumers.

THIS BRINGS us to the argument of the moment: Should consumer credit be allowed to continue in its present downward trend, or should it be stimulated to regain or exceed its former rate of increase? Roughly speaking, this debate pits bankers against sellers.

The bankers, whose decisions have already placed a lid on consumer credit, naturally want to hold steady. In terms of what they believe is best for the country, they have acted to restrict consumer credit because of fear that the present production of consumer goods may not be met by adequate *in-pocket* purchasing power.

They have felt that because so much purchasing power was being "tied up" in the long-range commitments of installment plans, a large proportion of consumer goods now being turned out would go begging.

This, they have been afraid, would lead to cut-backs in production. From that would follow losses of jobs. Next, a decline in purchasing power would depress business conditions generally and lead to widespread defaulting on installment payments. In such defaulting the bankers saw and still see the worst single threat because of its likely impact on the durable goods industries.

As the *Monthly Review* of the Federal Reserve Bank of New York points out to us, "The durable goods sector of the economy is inherently subject to much wider swings in demand than the nondurable sectors, and this instability may be amplified when credit purchases constitute so large a proportion of the durable sales totals. The result may be to create 'feast or famine' conditions in these industries."

Consumer Credit Is . . .

BIG: It bulks to about 27.5 billion dollars, to be paid back in plans of from several months to three years in length. This is about one-eighth of the amount spent yearly by consumers.

BROAD: It takes in 53 percent of all "non-business spending units." Most of these are young families of moderate income, nearly all of whom use it.

STRONG: It contributes to the purchase of three out of every five cars and major household items such as furniture, appliances and TV sets.

In the eyes of the banking theorists, a famine in the huge durable goods industries, brought on by defaulting of payments, would have crippling repercussions on the entire economy.

Right now bankers and finance company officials are taking note of the fact that credit "delinquencies" are increasing somewhat, mainly as a result, apparently, of a cutting down of overtime pay for industrial wage-workers. To draw from *The Wall Street Journal* again, the American Investment Company, of Illinois, which operates 292 loan offices across the country, has recently sent a memo to its branches which declares overtime pay is not to be counted in estimating a would-be borrower's ability to pay up on a loan.

All in all, conservative lending interests are bent on retaining and in some cases extending their present limitations on consumer credit.

FROM THE other side we hear an entirely different approach. Characteristically, retail sellers press for growth, turnover, unceasing expansion. In seeking to step up the use of consumer credit, they act not only on the basis of this attitude but on different conclusions from the facts as they see them. Generally speaking, they count this means of buying as one of the necessary ingredients in the advancement of the economy in the next few years, not as a menace to its stability at current levels.

For this point of view one of the most frequently quoted spokesmen is Arno H. Johnson, an economist and a vice-president of J. Walter Thompson Co., one of the largest advertising agencies in the country. According to his figures, an increase of consumer credit is needed to absorb present production of durable goods. He claims further that the national standard of living can rise by 10 percent or more by 1955 if sales are pushed hard enough and if consumer credit is exploited to help soak up future production.

In encouraging the expansion of consumer credit, Johnson compares its present level with that of 1940, the previous high point. Today, he says, the amount of consumer debt oustanding, in relation to consumers' discretionary spending power, comes to only 18 percent. In 1940 it was 31 percent, and consumers were then able to carry the debt fairly easily. By discretionary spending power Johnson means that money which remains after budgetary necessities are taken care of.

He concludes that consumer credit could expand by as much as 75 percent without overextension in relation to discretionary

spending power, and goes on to say that purchases made this way would help to take up present production fully, at going prices. This, he declares, would promote a cycle of more production, more jobs, more spending power and more purchases, which would bring about a still higher standard of living.

By and large, those in favor of a continuing growth of consumer credit speak of it as a way of building up buying power on a par with the ability of the country to produce and to place goods in the hands of consumers. We hear of a need for "mass financing" and "mass distributing" methods to go along with our mass production.

IN THE recently published book, *The Standards We Raise,* this point of view finds probably its most vigorous expression to date. The author, Paul Mazur, an economist and investment counselor specializing in department store development, offers a provocative new slant on the way consumer credit works in conjunction with today's massive long-range scheduling of production.

He stresses it as a selling rather than a buying medium and calls it *fractional.*

"Fractional selling short-circuits the usual involved sequence of production, wages, purchasing power, purchases and the resulting increased production." It "makes the economic routine work *in reverse.* The user makes a purchase; and it, in turn, creates most, if not all, of the purchasing power used for the purpose. The purchase draws on inventory, and the need to replace it results in more production. Production then completes the cycle, creating both the goods for the replacement and the wages which replenish the purchasing power that was committed by installment buying *before* the actual earning of income."

WHERE do we go from here? Should consumer credit be held down, as a means of making sure present installment commitments will be met and enough spending power will be left over to assimilate a safe minimum of the durable goods to appear in showrooms in coming months?

Or should consumer credit be allowed to plunge ahead in hopes of stimulating the output of all goods and prodding the economy into continued growth and prosperity?

With the government out of the picture for the time being, who will decide—the bankers, the sellers, or the family men with automatic dishwashers on their minds? It would be well to remember that the interest of each is the interest of all. ■

"Find something that folks want, and supply it at a price which they will pay and which will net you a reasonable profit"

Toys That Endure

by E. M. Marshall

WHAT KIND of present do you think of first for all those youngsters on your Christmas list? About nine times out of ten your choice would be "a toy of some sort." But a visit to the toy shops and toy departments may do more to confuse than help you choose *the* toy your little friend will welcome.

Washable toys are best for babies, you feel sure, but they are not for "babies" who can walk, talk and who generally try to act as much like their parents as possible.

But this knowledge that all youngsters are inclined to ape their elders gives us a hint as to the kind of toy that will be prized. And you may be surprised to find that many of these toys are accurate reproductions of equipment used by firemen, road builders or construction workers.

The Doepke brothers have a new plant in Rossmoyne, near Cincinnati, Ohio, where they turn out working models of such items as dump trucks, road graders, cranes, fire trucks with aerial ladders, caterpillar tractors and other things enchanting to children.

The new plant is a far cry from the tar-paper shack where the business was started. It is the result of doing what economists always advise: "Find something that folks want, and supply it at

E. M. Marshall is a free-lance writer specializing in articles about people with interesting occupations.

a price which they will pay and which will net you a reasonable profit."

But that "something folks wants" is more easily stated than defined, as the Doepke brothers learned the hard way in 1945 when they were looking for an item they could manufacture profitably.

DURING the war years Charley Doepke had a small business which kept a handful of men busy with a few ordnance contracts. His younger brother Fred joined the firm on his return from overseas where he had been a fighter pilot.

The ordnance contracts were canceled at the end of the war, so both men set out to find some product which their machinery could make. As their equipment could only stamp, press and emboss in metal, the item had to be something which could be manufactured by these operations.

Early in December of 1945, a very discouraged Charley was sitting in the office looking over some trade journals, when Fred came in with a toy water truck under his arm. It had been given to him when he was six years old.

"Found it in the attic," he told Charley. "Thought I'd have one of the boys fix it up, and give it to the kids for Christmas. Most of the stuff you buy today falls apart in a couple of hours."

"Yeah," Charley agreed. "I'll fix it for you. It'll give me something to do."

Two hours later, Fred found Charley and a workman putting the truck through its paces. The missing wheel had been replaced; the axle straightened; it gleamed with new paint and looked as he had wanted it to—brand-new.

Fred eyed the little truck speculatively as the two men pulled it back and forth across the workbench. Sure it was made of wood. Yet there wasn't a single part that couldn't be stamped, pressed or embossed in metal.

"THAT STARTED us in the toy business," says Fred, although neither he nor Charley knew anything about toys—except what they had learned from their own children. The way those kids could destroy a toy was a wonder.

That's why both men wanted toys children could drop, hammer and otherwise misuse, and which would still "function."

Fred's idea was to produce construction equipment in miniature, because his mind was fresh with scenes of Seabees operating powerful tractors and giant earth movers overseas. He thought scale models of this equipment might make excellent toys for children.

With only a catalogue as a guide, Charley drew up specifications (with guessed-at dimen-

sions) for a Wooldridge road scraper made in Sunnyvale, California. Six weeks later, Fred took a handmade wooden model to the annual American Road Builders' Convention in Chicago. He wanted to meet Max Gusman, President of Wooldridge. If he could get permission to copy the Wooldridge road scraper and, if possible, obtain a set of work drawings for it, the Doepkes could go into production.

But Gusman was in the throes of a severe head cold, which made him even harder than usual to approach. Everything went wrong, until Fred unwrapped the package he had brought along "just in case."

Two minutes later Gusman, a road builder who had turned manufacturer, was chuckling as he pushed the model across the floor, his cold and irritation forgotten. Not only did Fred get permission to copy *any* Wooldridge machine he wished, but he also got all the work drawings that Gusman's engineers had!

As it turned out, the road scraper was never made after all. When reduced to one-sixteenth the actual size, some of its parts fell into the "too delicate" class—a factor which still prevents the Doepkes from making many similar toys.

So Charley started all over again, this time with a Wooldridge dump truck, which eventually was to become the first toy to go into production. This model was followed by a concrete mixer, bucket loader, earth mover and fire engine—in that order. The goal was to have enough models for the next annual toy convention, which is the time when most orders are placed by buyers.

But such problems as getting materials, making designs and a lack of both space and money dashed the brothers' hopes of attaining their goal. When convention time came, all they had to display was a single handmade model of each toy.

Still the buyers seemed to like those models, even though they said the price was too high. Often, some buyers returned to order one or two items for their own children.

This personal interest encouraged the Doepkes to pile their cars with samples and start a store-to-store tour of the United States. They "forgot" samples after calling on important buyers; they gave samples to children of friends, to children's hospitals, to sanitariums, to clinics (especially those for crippled children).

The result of all their country-wide sales efforts began to show when they returned to Cincinnati. A few quality shops had re-

ordered; some major outlets wanted "a dozen models at once"; doctors were expressing great approval; and friends were writing to tell how much their children were enjoying their toy gifts.

A letter from a New York doctor said: "We have had an amazing reaction to your toys among our young victims of cerebral palsy. Oddly enough, it seems to increase their sense of security. I believe this is due to your faithful reproduction of the real thing, and the uncomplicated manual controls. The children seem to experience a sense of power in duplicating major construction operations in miniature."

THE YOUNG manufacturers made 32,000 toys the first year, a mere "drop in the bucket" compared to the 270,000 turned out last year in their new brick-and-steel plant.

A small boy's dream is housed in that plant where sheets of 18-gauge steel are cut into strips and pressed into a steady stream of oddly shaped parts. Spot welders fuse the parts until a tractor body begins to take shape. Down the assembly line it rolls, picking up a tiny driver's seat, a scraper blade, miniature headlights and two sets of treads. A conveyor then carries the tractor to the paint room where a bright yellow enamel is baked on. Workmen "who are still kids at heart" check each part as the tractor moves on for a final inspection before being shipped out for ultimate delivery to some lucky child for about twelve dollars.

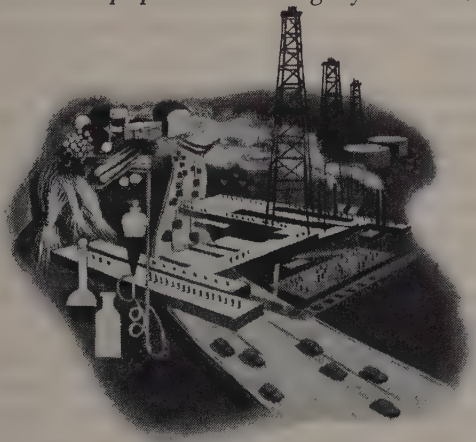
Not that all Doepke products are bought for children. Manufacturers of machinery find that their salesmen can more easily demonstrate their equipment with scale models. Because Doepke models are exact reproductions, Army engineers use them for classroom instruction—a physical impossibility with full-size machines.

The Doepke boys are doing "all right" now. The nearly 4 million babies born each year will keep them going full-time for many a day as they supply toys that endure. ■

Subsistence Economies

More than 1.3 billion of the world's people live in subsistence economy areas—large parts of Asia and Africa and some parts of Latin America—with each household meeting its own needs by its own production.

With our population rising by two and a half million each year—



Can America's Resources Hold Out?

by Fairfield Osborn

Leaders in many fields of endeavor meet in Washington this month for the Mid-Century Conference on Resources for the Future. In this adaptation of a chapter from his new book, *The Limits of the Earth*, Fairfield Osborn outlines the questions which will confront this meeting. Mr. Osborn is President of the Conservation Foundation and a Director of Resources for the Future, Inc., sponsors of the Mid-Century Conference.

WE AMERICANS are beginning to feel the pressure of a problem that has long weighed upon most other countries of the world. We must find a way of solving the "eternal equation"—the relationship of our resources to our number of people and their needs.

To see where we stand today, let us look first at our population, then to our agriculture and finally to certain factors that have a bearing on our industrial economy as well as on our general standard of living. There is news on all three fronts.

The fact is that we are now facing an entirely unexpected outlook in regard to our population. The idea that our population was about to reach a peak and would then either level off, or even decline, became general in the 1930s. One widely accepted projection placed our peak population at 140 million, to be reached in the year 1960; another placed the peak, to be reached about 1980, at 154 million. Already we have gone considerably above the latter figure.

It is now the generally accepted opinion that our population will reach at least 190 million by the

From "The Limits of the Earth," by Fairfield Osborn, published by Little, Brown and Company. Copyright 1953, by Fairfield Osborn.

year 1975—or thirty million more people than we have today.

This prospect poses a host of questions, such as the physical functioning of ever-larger cities, the increased costs of various forms of social welfare, and the added load upon an educational system which, in many respects, is incapable of meeting present demands. In one way or another such problems will be solved, though how satisfactorily remains to be seen.

The essential question, the one first to consider, will still remain: can our farmlands produce sufficient food for this substantial increase in our numbers?

Latest computations by the Department of Agriculture indicate that the amount of land that will be needed to provide food at present diet levels for our anticipated population in the year 1975, including provision for our present export surplus, adds up to the formidable figure of 577 million acres.

This represents 113 million more acres than are now in use and, in turn, seventy million acres more than are envisioned in all presently projected governmental programs for land development and reclamation. We have about come to land's end.

SEVERAL counteracting trends will affect the outcome. For example, continuing improvements in technology on the farms can be counted upon. New techniques have, during the last thirteen years, resulted in a gain the equivalent of production from 64 million acres of land. A steady, year-by-year improvement, at the same average pace as that of the last decade, will have to occur if we are to meet future needs. It is our last remaining substitute for the surplus land we no longer have.

On the other hand, strong negative forces will also be at work. Principal among these is the fact that we have by no means won the fight against soil erosion.

IN THE country as a whole the quality of our soils continues to deteriorate. Recent government studies in the large area of highly productive soils in the Midwest result in an estimate that the inherent productivity of soils in this great region is going downhill at the rate of 7/10 of 1 percent a year. Such estimates represent trends, nothing more, a slow process of corrosion that eventually, in the long run, will prove an increasingly weakening factor upon our people and our country.

The day is still to come when we realize that the protection of our agricultural base is the first need of a "national defense" program. By this is meant not military defense but the defense of values

that make American life what it is.

This great change in the outlook of this country's food supply will finally do away with the fantasy that "America can feed the world." Of course no one quite believed this; yet there has been a vague popular impression that, if the need came, we could relieve a food crisis in another country out of our own great abundance.

Another, little-suspected element in our natural-resource picture is beginning to reach the critical point. This is water supply.

With the surprise that comes from any new experience, some forty million Americans, living in various regions and communities, are now face to face with problems of water — either those of real shortage, or of unsatisfactory quality, or both.

During the last fifty years our per capita consumption of water has doubled, and in view of the fact that our population has also doubled during this period, it is evident that our water needs have increased four times since 1900. While a part of this use is due, of course, to domestic and municipal demands, the larger part is due to the tremendous drafts that are being placed on water by the growth of industry and the extension of agriculture, including huge irrigation projects.

The estimated total use throughout the nation for all purposes, divided by the number of our people—runs to the extraordinary quantity of 1,200 gallons each day!

The combination of a fairly high average rainfall and the superb natural arteries of large inland rivers and lakes in many regions of our country has deluded the majority of us into believing that water is one resource about which we in the United States need have no concern. Consequently a water problem is a brand new experience to many Americans. In terms of the maintenance of our existing standard of living, the question of adequacy of water supply is bound to be one of increasing importance.

We can, indeed we will, be forced to adopt better practices in the development and use of this country's water resources, but even then, water, and not only crops, forest products or mineral resources, will prove a limiting factor to population and industrial expansion.

THE RELATIONSHIP between agriculture and a highly industrialized society such as that of the United States is frequently overlooked. At first thought, for instance, an automobile plant seems an operation quite remote from that of a farm. But it has been computed that the manufacture of a million automobiles requires, among other things:

89 million pounds of cotton, the

crop from 558,000 acres, for making upholstery, brake-linings, timing gears and safety glass;

500,000 bushels of maize, the harvest of 11,280 acres, for rubber substitute, butyl alcohol and solvents;

2,500,000 gallons of molasses, from 12,500 acres of sugar cane, for making anti-freeze, shock absorber fluids and solvents.

In order to meet the requirements for the present annual output of approximately six million cars each year, there is needed the produce of approximately 3,600,000 acres, to say nothing of the very large number of animals involved. Agriculture in America serves major purposes other than food supply.

Our renewable resources provide approximately one-half of our entire national economy, measured in goods consumed, or in their transport, processing, financing and marketing. We can count on these assets—our forests and soils and water resources—*if* we take proper care of them.

ALTHOUGH the over-all position of our forests indicates that replacement growth shows promise of catching up with annual drain, the fact still remains that in one major category, namely saw timber, we are using up that resource at a rate of 40 percent greater than its annual growth. We have destroyed one-fifth of the original area of our croplands and are continuing to injure a considerable portion of the remainder by improper agricultural methods. We are beginning to feel the pinch of water shortages in various parts of the country.

All in all, we are not as yet doing the job in the conservation of these vital resources that will insure the future welfare of our nation.

The report of the President's Materials Policy Commission, published in June, 1952, presents the first correlated, over-all picture of how this country stands in regard to its natural resources. It demonstrates that our country is no longer self-sufficient and emphasizes the extent to which we must rely upon resources obtained from other lands. It indicates how near we are to the exhaustion of certain resources that are essential to our present economy and standard of living.

The report reviews the trend of resource use and development since 1900. It shows that at that time we were producing about 15 percent more raw materials from our mines, forests, farms and other natural resources than we consumed. Today, by contrast, our production is running about 10 percent short of consumption, and this deficit is increasing year by year because of the accelerating rate of our industrial processes,

induced in part by the demands of a steadily mounting population.

As to the future, the commission estimates our needs for a continued three percent a year growth of our economy. It assumes that the total output of goods and services in the United States, the gross national product, will, by the year 1975, be twice what it actually was in 1950.

It is envisaged that by this time our present tremendous usage of natural resources will be increased by at least one-half, although the demand for various materials will rise unevenly, in some cases going up as little as a quarter, in others rising fourfold or more.

As to our over-all position, it is recognized that our dependency on the rest of the world will increase considerably and that we shall have to look to other countries for about one-fifth of everything, other than food and gold, that we shall require. As a consequence our production deficit will be double or more what it is today.

By drawing attention to what has happened in the past the report compels attention to what may lie ahead. It states: *"The quantity of most metals and mineral fuels used in the United States since the first World War exceeds the total used throughout the entire world in all of history preceding 1914."*

It is difficult to absorb the thought that we Americans have used as much of the earth's riches in forty years as all people, the world over, have used in four thousand! Quite a record—but can we go on like that? This, of course, is the big question.

VAST AS are the natural physical endowments of the United States, the fact is that its economy is outgrowing its resource base. It is no accident, therefore, that the United States in recent decades has been creating "economic colonies" in other countries—not through the medium of government action but through the expansionist activities of industrial corporations.

But within the last four or five years a few American companies have met with the "Get Out" sign from other countries, written as clearly as that of "Finis" to the colonial ties of such countries as Great Britain or Holland. Can our country count upon continuing to get from other countries the raw materials it must have to sustain its economy?

Our chances are not improved by the fact that populations are increasing so rapidly all over the world. At present rates of increase, there will be a billion more people on the Earth at the century's end. This population pressure is a principal cause of intensified nationalism, which tends to

culminate in one country after another saying, "We intend to keep our own land and resources for our own needs."

Thus the episodes of current history are not surprising: the failure of the British oil negotiations in Iran, the expulsion of the Dutch from the East Indies, the exclusion of foreign interests in the Argentine. Even the savage action of the Mau Mau in Kenya, Africa, must be recognized, whether we like it or not, as a symptom of the time.

No EASY prospect faces us. We have entered an era when new conceptions regarding the ownership and use of natural resources must be adopted. Traditional ideas are not good enough, if for no other reason than that they will not work.

Our best, if not our only chance, lies in the encouragement of economic interdependence between ourselves and all other countries in the free world. This will call for daring and enlightened action and will require sacrifices by individual interests in the matter of modifying protective tariffs and even on the part of all our people in not seeking ever-higher standards of living. We had better make some sacrifices earlier than have little left later.

We are increasingly, through political and social action, recognizing the values of the share-and-share-alike concept at home. Now, whether we will it or no, forces largely of our own making will require that we apply this concept in our dealings with other peoples.

From a scientific and technological point of view there appear, for the moment, to be no visible limits to progress, even though we may not be too clear in our minds as to what "progress" is and where it may lead us. In any case neither the theories of economists nor the skills of industry and technology permit a disregard of the danger signals.

The episode in the spring of the year 1935, when the sun was darkened from the Rocky Mountains to the Atlantic by vast clouds of soil particles borne from the denuded grasslands of the Western states, jolted people into action and gave birth to a conservation movement that is now well begun though as yet far from adequate.

Shall we wait for a worse jolt before doing something about the shortages we can see threatening us today? ■

Just Average

Beef travels in the United States about a thousand miles, on the average, from producer to consumer.

Rich men are often able men whose talents can be—and are—used in public service

THE PUBLIC UTILITY OF BUSINESSMEN

by John Pierpont

ONE OF the most significant and hopeful developments of the past few years is the emergence of top businessmen as leaders in this nation's governmental and public service affairs. The new pattern has been highlighted by appointments of successful businessmen to key positions of responsibility in the Eisenhower Administration, but it was evident before the Republican sweep in the 1952 election.

The trend falls into true perspective when it is recalled that many of the leaders of revolutionary times were successful men of commerce and industry. The Continental Congress and Constitutional Convention were composed almost exclusively of men of property and relative affluence. Businessmen continued to play leading roles in affairs of state through most of the last century.

With the dawn of the tremendous industrial development of the country late in the nineteenth century, however, men of ability and drive found greater opportunities and greater financial reward in business. As a rule, they dropped out of active participation in government to concentrate on making money.

With the withdrawal of businessmen from public affairs, the professional politician dominated the functions and agencies of government. In the ensuing years, public respect for businessmen was maintained, and even increased. Their accomplishments in creating the giant industrial machine that built modern America did not go unnoticed. Material success was admired and emulated.

THE OBJECTIVE of most big businessmen in the golden heyday of

John Pierpont's education was in history and government, but for many years he has been working on the "inside" with the public relations staffs of big business organizations.

their reign was to make money and spend it on themselves, their families and their small circle of friends. They evidenced little sense of indebtedness to serve the nation and the general citizenry.

They amassed great fortunes and passed them on to their children, who in turn devoted most of their time to enjoying their inheritances.

These were the years of great resorts—of Saratoga, White Sulphur Springs, Palm Beach, Newport, Bar Harbor, to name but a few of the swank, exclusive sanctuaries of the rich. In their fabulous palaces, disdainfully called "cottages" by those who could afford even more ostentatious displays of wealth, a class of "idle rich" vied with each other in excesses of sumptuous living such as the world had rarely seen. Foreign visitors, accustomed to the pomp and pageantry of the old world, gasped in amazement at the extravaganza.

But concurrently with these lavish displays there was at work the wealth which created blast furnaces and drop forges, the hundreds of industrial plants which were pouring out pots and pans, carriages and automobiles, and all of the wondrous variety of goods finding their way into the homes of the ordinary citizen. And to run these factories and businesses there was a hardened group of professional managers, men who could control and run the complexities of great organizations. A new breed of businessmen had emerged, and this was the breed which was to be a part of future America. The "idle rich" were a phase of the passing scene.

UNDER Presidents Harding, Coolidge and Hoover a number of men experienced in business affairs played a part in the administration of government departments, but it was generally the politically appointed professionals who administered affairs of state. Businessmen tended to "stick to their lasts" or quietly let their influence be felt.

The great depression destroyed respect for the competence of business leaders and spurred politicians who took advantage of the public's attitude; this distrust was fostered and applied to business leaders in general. "Economic royalists" was President Franklin D. Roosevelt's term for them. The acumen of businessmen as a group came to be questioned. They were held responsible for bringing on the depression and vilified for their supposed desire to "turn back the clock," when New Deal theories were put into effect.

With the beginning of hostilities in Europe in 1939 and the threat this new war posed to the

United States, President Roosevelt was quick to call on men in industry and other lines of private business to accept responsible positions in the federal service.

The response of these men proved two things: (1) that businessmen were ready, willing and able to give up their lucrative positions in business for financially unrewarding public service, and (2) that they were for the most part well-equipped to render valuable public service.

As "dollar-a-year" administrators they did a job which was publicly applauded by the men who had asked them to serve. This wartime activity rewon for businessmen generally the favor they had lost with the public.

Among those who come to mind from those years of crisis are Knudsen, Stettinius, Harriman and Batt, to name but a few.

President Truman kept some of the businessmen in government service when the war ended, and even recruited additional men from industry and finance for new posts. William L. Clayton, for example, former head of Anderson, Clayton & Co., cotton brokers, drafted as Assistant Secretary of State in 1944 after a term as Assistant Secretary of Commerce, served during postwar years as Administrator of the Surplus Property Administration and subsequently as Under Secretary of State for Economic Affairs in 1947.

Edward R. Stettinius, Jr., former Board Chairman of United States Steel Corp., served as Secretary of State after a series of top wartime jobs. W. Averell Harriman, formerly a partner in Brown Brothers, Harriman & Co., filled among other government posts, those of Ambassador to the USSR, Ambassador to Great Britain and Secretary of Commerce.

W. Stuart Symington, formerly Chairman of the Board of Emerson Electric Manufacturing Co., was successively Assistant Secretary of War for Air and Secretary of the Air Force. He made an enviable record which led to his election as a Senator from Missouri, although he ran as a Democrat in the Republican-dominated election of 1952. Roger Lowell Putnam, wealthy Board Chairman of Package Machinery Co. and three-term Democratic Mayor of Springfield, Mass., accepted President Harry S. Truman's call to serve in the thankless post of Administrator of the Economic Stabilization Administration.

BEING a successful businessman is today no bar to public service. Indeed, the pendulum has swung back, and a record of "practical experience in the school of hard knocks" is a definite asset.

With rare exceptions, men

drafted to serve the nation have done so willingly, even though, as in the case of Secretary of Defense Charles E. Wilson, former President of General Motors Corp., they have been compelled to divest themselves of investments built up over years of hard work.

In the new administration in Washington, businessmen have their greatest opportunity to prove that the public's best hope is in men of their experience and ability. Wilson, Secretary of the Treasury George M. Humphrey, formerly President of Mark A. Hanna Co., Secretary of State John Foster Dulles, formerly Senior Partner in the big law firm of Sullivan and Cromwell, and the other "big businessmen" working with President Eisenhower to make the country strong and yet keep it solvent—these men continue the trend which began with the war.

To attract still more successful men to public service despite the comparatively low financial returns of such service should be a prime objective of national policy. It would be the nation's loss if such men of ability were not attracted to public service because of personal wealth or accomplishment in business.

In addition to the few men whose names are familiar because they make news, there are many other men and women of equal competence and financial independence who are serving in state and local government jobs. In Worcester, Mass., for example, when the citizens lost patience with their antiquated, politics-ridden municipal administration and voted in the city manager form of government, they elected as the first mayor under the new plan Andrew Holmstrom, self-made production boss of the Norton Company, the city's largest industry. He has since been re-elected to a second term. Other cities have followed the same pattern.

In our complicated politico-economic system, the actions of government agencies can so strongly and immediately affect the well-being of all business, and thereby, the general welfare, that it is vital to keep alive the interest of successful business brains in public affairs. Though it is not often the hope of financial reward which attracts such individuals to public service, it is important that the stature of such service be enhanced. For it is recognition, together with a sense of duty, which is the motivating force in leading most men of independent financial position to devote their talents to the public weal.

One of the reasons behind the misunderstanding abroad of how our American system of free, com-

petitive enterprise operates for the common good is the inability of foreign peoples to grasp the fact that successful men of business can serve their country, devotedly and disinterestedly, even though there is "nothing in it for them." European businessmen, for example, are notoriously cool to public service. They shy from it, concentrating their efforts on making maximum profits for themselves, for their own enjoyment. And in instances when businessmen do find themselves in important administrative posts, their personal interests are bound so closely to class interests that they fail to function in a spirit of public service.

In most foreign lands "capitalism" is understandably regarded as benefitting the fortunate few at the expense of the unfortunate many. European and Asiatic leaders imbued with a desire to attain our material standards have in most cases overlooked an intangible but vital factor in our economic system, the many elements of cooperation and mutual help which have developed despite our highly competitive way of life. Public service is the next logical step for businessmen experienced in various cooperative community projects such as the Rotary Club, Kiwanis Club, Community Chest, Red Cross and similar organizations. In the United States businessmen are trained to keep the consumer in mind at all times, to regard the consumer as the ultimate boss. They are devoted to servicing the public demand. The businessmen who have been most successful in public service have been those who learned from experience how to please the public.

HIGH TAXES on incomes, inheritances and real estate have played a part in the ending of the "age of the resorts." Most successful men today are too busy contributing their talents and energies to worth-while jobs in private life and government.

This development may not herald a return to "the good old days" of Spartan living of work for work's sake, but it does afford a healthy contrast with the life of ease of the resorters a relatively few years ago. In the complexities of twentieth century American life, a loss of touch with the public interest by business management, labor organizations or government officials can create a diversity of national interests from which we can neither profit nor draw strength. The participation of businessmen in government is additional insurance that all facets of American life are joined in the single enterprise of preserving and improving the habits of living which we call American. ■

With or without Fair Employment Practices legislation, the Negro is moving "into the main stream" of American industry and business

What About Fair Employment?

by Julius A. Thomas

"IT DOESN'T make sense," the young man said as he sat down to tell me about his job-hunting experiences. "The papers are full of ads. They need engineers—all kinds. Just look at this Sunday paper. In the last three months," he went on, "I've filled out enough applications to get a dozen jobs. 'You'll hear from us in a few days,' they tell me, but nothing ever happens."

Bob Williams' story was not new to me. Scores of young men just out of school with degrees in engineering, accounting, business administration and other specialized fields, had reported similar experiences, sometimes with open bitterness.

Picking up Williams' transcript from one of the large universities, I noted that his grades in the technical courses were average or above. He told me about the applications he had filed with companies whose ads appeared in the paper. He was clean cut, personable, alert and serious about his career in engineering. As I sized him up, his failure to land a job didn't make sense to me either.

I telephoned the Chief of Technical Personnel for the G. C. Company.

"How about mechanical engineers?" I asked. "Are you still in the market?"

"Certainly," he replied. "Do you have someone to send over?"

Williams was interviewed the next day. A week later he reported for work. After two years, he is a senior engineer and has enrolled in evening classes for graduate work.

This was no isolated case or "lucky break" for an exceptional young man. It's part of a fast-rising trend. By now, hundreds of qualified Negroes are finding their way "into the main stream," as we say, of American industry and business.

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Some twenty-five major industries have recently begun to employ engineers, chemists, accountants and other professionals. At the same time, changing employment patterns have opened up new doors for thousands of Negro clerical and production workers.

The vast *telephone industry*, which before the war employed only a handful of Negro white-collar workers and switchboard operators, now has an estimated ten thousand of them—still a small proportion of the total force, but that proportion will grow.

The *banking industry* completely shut out Negroes except for janitorial jobs up until a few years ago. It has now begun to employ them as clerks, stenographers, tellers and accountants—in New York, Chicago, Detroit, St. Louis and other large cities.

In the *automobile, farm equipment* and *communications equipment industries* we have seen recent sharp increases in the numbers of Negroes employed as well as in the range of jobs open to them.

All considered, many Negroes enjoy an improved standard of living, better health and a more hopeful outlook for the future. As *Time Magazine* appropriately puts it, "For most Negroes, the problem is no longer jobs, but better jobs; it is no longer bread, but cake."

When we look at the over-all job and income picture, however, we find that economic opportunity for Negroes remains a national problem.

Negro wage earners have not reached the income level of the majority of white workers. The Department of Labor tells us that in 1950 the median money income for Negro *families* was $1,869, while for white families it was $3,445. The Negro wage and salary *worker* earned an average of about $1,300—or just 52 percent of the average for white workers. While the average income of Negro workers has increased by more than 300 percent since 1939 (from $400 to $1,300), a tremendous gap in earning power still remains to be closed.

Largely because of this gap, a greater proportion of the Negro population than of the white works and seeks work. The employment rate of Negro women makes for most of this difference. In April 1950, 42 percent of Negro women of working age, including many mothers of young children, belonged to the labor force as against 31 percent of white women.

TRADITIONALLY, making a living has not been a simple task for Negroes. From chattel slavery to freedom of enterprise; from menial, unskilled labor to equal par-

ticipation in the economics of a complex society, has been a long and painful journey.

The first great wave of Negroes to desert the farms of the South came during World War I. Flocking to cities of the North, East and Midwest by the thousands, they took jobs in packing plants, steel mills and construction gangs.

They were the first to be fired when the war ended, but they recovered when more prosperous days returned in the mid-Twenties. The depression set them back again. During the Thirties some 40 percent of the Negro working population had to depend upon direct relief and made-work on government-sponsored projects.

As World War II approached, many industries holding huge defense contracts still refused to employ Negroes in spite of severe labor shortages.

Not until President Roosevelt issued Executive Order 8802 in June of 1941, which prohibited racial and religious discrimination in defense hiring, did Negroes appear in significant numbers in shipyards, munitions and aircraft plants.

As the nation's need for skilled manpower continues to mount, to provide opportunities for the full integration of Negroes in the economy increasingly becomes a utilitarian as well as a moral issue for America. As a dollar-and-cents matter, Oveta Culp Hobby, Secretary of Health, Education and Welfare, estimates that racial prejudice in all its ramifications is costing the government fifteen to thirty billion dollars a year. This amounts to between one-fifth and two-fifths of the current federal budget.

Because of the continuing brisk demand for workers, Negroes have held on to most of their gains of World War II. And they are benefiting from the examples of those industries now clearing away barriers. How are they to progress further to full equality? As I look at the year ahead, I see five major influences acting toward this end. These are:

(1) The enactment of fair employment legislation in twelve states and thirty cities; (2) direct federal action to prevent employment discrimination by holders of defense contracts; (3) the unionization of more than a million Negro workers; (4) greater participation of management and labor leadership in programs to combat racial discrimination; and (5) the rising effectiveness of interracial organizations such as the National Urban League and the National Association for the Advancement of Colored People.

The drive for legislative action against discriminatory employment practices sprang logically

from President Roosevelt's Executive Order 8802.

Efforts to enact federal legislation of this kind have not succeeded. Meanwhile, twelve states and thirty cities, encompassing about three-eighths of the country's population, have written laws declaring the right to a job to be a civil right. Most of these state laws and municipal ordinances are patterned after New York State's Ives-Quinn Law.

HOW EFFECTIVE are these laws? What advantages have they produced that could not have been realized without them? Can we successfully legislate against prejudice?

Evidence can be mustered to prove either side of these questions, depending upon whose point of view one wants to support. From the vantage point of an agency which for more than forty years has worked to expand the Negro's job horizons, there is no doubt about the effectiveness of anti-discrimination legislation.

Scores of employment patterns have changed during the short life of these laws. Almost daily, reports flow in of new fields opening to qualified Negro workers. Fears and taboos about the presence of Negroes in certain types of positions are rapidly fading.

Undoubtedly, hundreds of job-seekers still meet discrimination every day in the areas affected by the laws. Very often the Negro applicant is politely but falsely informed there are no openings in his field. Frequently he hears he has too little or too much training for the job. As yet, many unsuspecting job-seekers do not recognize this discrimination and thus do not report it to the proper enforcement agencies.

MOST OF those favoring anti-discrimination laws admit the impossibility of obtaining complete compliance today. But they stress instead how enactment imprints *the issue*, which they consider a critical one, upon the public consciousness.

In my own experience I note a number of instances where this legislation has untied the hands of employers. Some have confided to me that the laws have smoothed the way to carrying out desired hiring reforms by transferring the prerogative from themselves to the public-at-large.

Direct *federal* action to curb discrimination in employment began with President Roosevelt's order in 1941. The Fair Employment Practices Committee which dealt with complaints went out of business in 1946 when Congress refused to continue funds. Five years later President Truman issued a similar directive. Last August President Eisen-

hower proclaimed still another which requires contractors to comply with the no-discrimination clauses in all government contracts. The effects of these measures are as yet hard to pin down.

In a few instances of unfair practices, investigations were made and employers have been requested to revise their policies —which they have done. In the eyes of the National Urban League, watching from sixty local branches, however, discrimination as usual continues in the main. Unless and until the present committee widens its staff activities, notable results cannot be expected.

AS UNION members, Negroes in their present numbers make up an integral part of the labor movement. They have increased in membership from less than 200,000 in 1930 to nearly one and one-half million today. In this they have generally gained greater job security, opportunity for advancement and other benefits.

The vast majority of labor unions have taken positive steps to see that all members are treated fairly in accordance with union policy and contract provisions. As the Jewish Labor Committee reported last summer, "the membership of unions which still practice discrimination has been reduced from 18.7 percent of the total... to less than four percent in the ten-year period 1943-1953."

Nevertheless, unfair practices among unions continue to hold some Negroes back.

It is still difficult and in many cases impossible for a Negro to enroll in the apprenticeship programs through which most of our electricians, masons, carpenters, printers, engravers and many other skilled workmen are trained. Perhaps we shall see full participation by Negroes in the democratic labor movement in the next decade.

WHAT OF the fourth major influence promoting the economic well-being of Negroes?

Without much fanfare or publicity, an increasing number of responsible industrial and business leaders have joined in the movement to halt racial and religious discrimination in employment. As a result of management-sponsored conferences, thousands of trained Negroes have been given professional and technical positions from which they were almost excluded a few years ago.

As for organizational activity, concern for the economic progress of Negroes has motivated much of the efforts of interracial and social work agencies for almost half a century. The National Urban League was among the first to point up the problem and propose constructive solutions. Its na-

tional headquarters in New York City and sixty autonomous branches throughout the country have consistently urged employers and labor unions to take on competent people regardless of race.

In 1949 the League launched a national campaign to find employment for well-trained Negro scientists, engineers and business specialists. Many such young people were being systematically turned down by some of our largest and best-known industries.

In five years more than a thousand applicants have been placed. Their employers include, to name a few, the Radio Corporation of America, General Cable Corporation, General Electric Company, Automatic Manufacturing Corporation, International Harvester Company, Pitney - Bowes, Inc., Standard Oil of New Jersey, Westinghouse Electric Corporation and American Telephone and Telegraph Company.

In most instances these young people were among the "first" to be employed in the kinds of jobs they were prepared to do. Their satisfactory performance has opened the doors for many more trained Negroes.

THE PACE of such progress depends in large part, of course, on education. Despite a steady improvement in educational opportunities for Negroes during the past quarter of a century, the available facilities have not kept up with the needs of new employment opportunities now available.

Negro education in some sections of the country has been geared to what has been considered the "special needs of Negroes"—teaching, social service and the ministry. And, in the South, except in a few larger institutions, no graduate schooling of any kind is available. The Negro needs more facilities for technical and scientific training. To be a successful competitor for the kinds of employment available in the American economy today, he must master new tools and new ways of getting things done.

Most students of the social and economic problems of Negroes agree that these problems had their origins in the slave South. In the last decade, new industries, and transplanted units of northern-based industries, have transformed the working population into a predominantly industrial force.

Will the old patterns of Negro-white relations adjust themselves to the manpower demands of this area? Will the Southern Negro worker share equitably in this most recent industrial revolution? Upon the answers to these questions may depend the economic future of the nation's Negro citizenry. ■

From the Bookshelf

WHY DO PEOPLE BUY?
A study by the editors of "Fortune" magazine. McGraw-Hill. $3.50.

Prosperity through Sales

American business must concentrate on better selling techniques to achieve continuous consumer-buying necessary to prosperity

by John S. Gambs

WE ALL KNOW that depressions are man-made and can be prevented or mitigated by man. But how? Or, at least, how much can be done without too much governmental intervention? And how can it be done by harnessing the forces of business enterprise rather than nullifying them? The editors of *Fortune* magazine have been pondering such questions and have come up with an important study by way of reply.

Why Do People Buy? is a curious title for a book that takes economic stabilization as its major theme. Curious, until one begins to think about what would happen if people didn't buy. If anybody wants to start a depression in a nation structured like ours, here is a sure-fire formula: persuade American families to stop buying what they don't absolutely need; persuade them to let shabby overcoats do for another winter, to patch up old quilts and postpone buying that electric blanket, to get along another year with the old wind-up alarm clock. If Americans will do enough of this, they will soon be rewarded by a whopping economic depression.

The editors of *Fortune* stress the thesis that the sometimes reluctant consumer must be induced to buy steadily if the nation is to be prosperous. For steady buying, according to the noted British economist, John Maynard Keynes, may contribute to a larger national income. This thesis leads the *Fortune* editors to examine the selling structure of the nation. Is it really strong enough to do its share to maintain prosperity?

Beginning in the 1930s, the authors say, salesmanship went into a decline from which it has not recovered; indeed, the tough veterans of the old selling wars are dying out and the new recruits are mostly softies. This does not mean that selling is a dead art; a few brilliant innovations have marked recent years. The real point to make is that the arts of salesmanship and advertising have not kept pace with growth in national income, standard of living and the like. We have a good, fair-weather selling army, with new weapons, yes. But is this good enough to sell the consumer *what needs to be sold when the going gets tough?* When the difference between depression and prosperity hangs on the ability of the American sales force, can this sales force sustain a counteroffensive? The *Fortune* editors believe it *cannot.*

As evidence to support this conclusion, the writers present the results of their department-store surveys, interviews with manufacturers' agents, direct-mail selling studies, appraisal of the strength and weakness of self-service and robot selling, and much more. This part, a very large part of the book, makes very good reading. In fact, it should be required reading for anybody who sells anything or makes anything to be sold. Should you keep your store open some nights, and if so, what nights? Should air conditioners be sold door-to-door? Is selling by mail cheap or expensive? How smart is it to write "extra super special" in your ads? In *Why Do People Buy?* you will either find the answers, or get the benefit of provocative comments.

But the basic theme of the study has to do with the countercyclical or anti-depression influence of salesmanship. Again and again the authors show their wonder at the fact that businessmen seem most willing to spend money for sales promotion when sales are high and going fine. But when sales lag and would be most welcome, that is when businessmen decide to stop sales efforts. Advertising contracts are cancelled, salesmen are fired and businessmen seem almost bent upon adopting policies designed to *prevent* a recapture of their lost sales. Why this widespread, self-destructive mania? And can anything be done to curb it? The last chapter, "Who'll Buck a Trend?" describes this kind of mental illness and prescribes a remedy.

THE BASIC STEP in therapy is that businessmen should seek to create, in good times, reserves that can be

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used in bad times for advertising, selling, new-product development, repairs or the implementing of any other policies that would strengthen the firm's position. Some firms may already have such funds, but are prevented by those tyrants of business, the accountants, from using them. Accountants love to stamp "untouchable" on every piece of loose change, and they should be re-educated. Some firms will, however, need to build up such reserves, and they must be allowed to do so by government and stockholders.

In other words, reserves accumulated in prosperity, since they are to be spent when sales dip drastically, should not be taken away through taxes by the public authority. Nor should such funds, since they can strengthen the firm's future position, be distributed to short-sighted and dividend-greedy stockholders. The authors of the book concede that many vexing administrative problems would arise in the application of this policy, but feel they can be overcome. Indeed, Switzerland has already shown that this sort of thing can be worked out.

In summary then, the book makes three major points:

- Selling is not just scrambling for one's share of a pie of fixed size, but is a way of making a bigger pie.
- The arts of selling have de-

The Unpredictable Consumer

In eighteenth- and nineteenth-century Europe, where most economic ideas originated, distribution without persuasion was natural. The problem there was (and often still is) to produce enough to maintain a substandard living. The U.S. today is uniquely different. The standard of living is so far above subsistence that it is fair to say that production is no longer a problem—in the sense that it is *the* problem in all the rest of the world. Distribution, in the mechanical sense of moving the right goods to the right market, is not a problem. In the years ahead, barring the deluge of war, the problem of American capitalism is clear: will people spend enough to buy back what they produce at a high and rising level of production?

The economists' answer: not necessarily. And the economists should not be airily dismissed; they may be right. But have the economists overlooked something, the new something called selling? Is the consumer really predictable? Does he act with the rational self-interest of "economic man"? And finally are economists correct in assuming that the whole apparatus of American selling is powerless to move the index of consumption by the relatively few points that spell the difference between prosperity and depression?

—From WHY DO PEOPLE BUY?, Chapter 2 by Gilbert Burck

clined and the quality of salesmanship does not measure up to its responsibilities.

Business firms should, in good times, build up reserves to use in bad times; these may be used to retain intact the sales force, or to advertise, or to promote new products or otherwise to strengthen the firm.

WITH HOW MUCH of this can we agree? The third point can be accepted immediately. It is the least controversial. It is a sound, ingenious idea. Some American firms have already adopted the policy with success. The Swiss are doing it. Most American economists are converted to the desirability of countercyclical spending by anybody and everybody who has anything to spend. For business, participation in the plan would be voluntary.

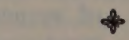
One wonders how many people would agree with the second point, namely, that salesmanship is a declining art, and that our sales force is leaning on its shovels. The *Fortune* editors point out obvious weaknesses and make excellent suggestions for improvement. Many business executives have probably not really thought through their selling problems for many years and now organize their selling through "by-gosh-and-by-gum" thinking instead of using opinion surveys, consumer surveys and many other useful devices and studies that have been made available. But to say all this is still not complete proof that the American sales force is ineffective. The trouble is that there are no objective standards in this field, and one informed man's opinion is no better than another's.

The last point to consider is that selling is not just scrambling for one's share of a pie of fixed size, but is a way of making a bigger pie. In advancing this idea, the *Fortune* editors note that economists have never paid much attention to the effect of salesmanship on increasing the national income (that is, making a bigger pie). This is true. It is perhaps an unfortunate oversight on the part of economists, because the argument is sound economic theory. Editor Gilbert Burck, in the second chapter of the book, states the contention very well, although some of the other authors, in other chapters of the book, are less precise in presenting the case.

Burck does not say that all of us underconsume all of the time, or that all of us need a good working over by a corps of elite salesmen. He also takes into account that some of the time, some of us, probably the lower income groups, are already "sold through," and that efforts to increase sales in this instance may be of no

avail. Burck points out, however, that timing is important in a sales program, and that to do strategic and dynamic selling we still have much to learn about the habits of that well-known but mysterious biped, the American buyer. He points out that upper-income groups may be the ones who save more than is in the public interest. Here, then, is the money that sellers of home movie cameras, air conditioners, sailboats and the like could, by more imaginative salesmanship, take away from its owners. This kind of money will indeed help to make a bigger pie. If this interpretation is correct, then the argument for a greater (but well-timed and discriminating) sales effort, as a means of enlarging the national income, will have to be accepted as sound.

IN ANY EVENT, the book makes an impact on the mind. It is an interesting application of the Keynesian underconsumption doctrine—inadequate consumer buying can lead to loss in national income and contribute to a depression cycle. Until now the various, well-studied "do's" and "do not's" of Keynes have been well translated into one language only, that of governmental programs. This book shows how they can be used by private business, to its own benefit as well as in the public interest. It holds out a very large hope that business itself can do much to level out the business cycle. ■



The Nation's Fuel Trend

Last year for the first time oil provided more of the energy used in the United States than did coal. Figures recently released by the Bureau of Mines give a vivid reflection of the nation's fuel trend. From its 1947 high of 99 million tons, anthracite production fell last year to 40 million. Soft coal was down to 465 million tons from its peak of 630 million in 1947. In 1900 coal supplied about 90 percent of the energy consumed in the U. S.; last year it accounted for 34 percent, as against 39.4 percent for oil, 22.5 percent for natural gas and 4.1 percent for water power.

The chief move away from coal has taken place in railroading, which once burned 132 million tons annually and last year used 38 million. The constantly expanding steel industry, however, is still completely dependent on coal, and the electric utility industry has raised its coal consumption from 27 million tons to 100 million in the past twenty years. Coal producers believe that research on new methods of mining, transportation and use will restore soft coal to a dominant position. They expect to sell 800 million tons annually by 1975.—*Scientific American*

spending for farm machinery has dipped by more than 10% since last year. With farm prices continuing to fall, you can expect this trend to continue. Even those farmers who have spendable income will prefer to stash it away in savings or bonds. In parts of Texas, for instance, sale of Government bonds is up by as much as 102%.

Tax relief for 1954 appears unlikely as Treasury officials face up to the possibility of a slight business recession. Only the end of the excess profits tax and a 10% cut in personal income tax are sure:

A slight dip in our national income could seriously affect federal revenues, which in the U.S., unlike other countries, are raised almost exclusively (80%) by corporate and personal income taxes. Thus, even a moderate slowdown such as we had in 1949 could rob the Treasury of as much as $14 billion in revenue.

At the same time, recent Democratic victories will make cuts in domestic spending more difficult, and a tougher Russian cold-war policy rules out any substantial cuts in foreign aid and defense spending.

At least, tax-paying is going to involve less red tape. Plans are currently underway to eliminate tax returns for the 40 million taxpayers with incomes under $5,000 whose taxes are automatically withheld. Tax evasion, on the other hand, will be tougher. At the moment, revenue agents can examine only 25% of all tax returns. A substantial increase in the number of tax sleuths is planned and should result in more careful examination and net the Treasury additional revenues.

ECONOMICS IN ACTION

Recent Soviet reforms shed a good deal of light on economic conditions in the "worker's paradise":

A 72% increase in domestic consumer goods has been "decreed" by the Soviet government. The increase will be mostly in foodstuffs and clothing, but attention is also focused for the first time on such "luxuries" as furniture, radios and refrigerators. To meet this decree some diversion of defense industry will be necessary. The Russian aviation industry, for instance, has been ordered to produce 4,200,000 metal beds and 90,000 refrigerators next year.

The peasant's lot has also been eased. The government is officially urging farmers to sell on the "free" market where prices are considerably higher. He must still sell a certain portion of his produce to the government cooperative stores, but the state is going to help him get rid of his surplus. Aim: to appease the peasant and get more consumer goods on the market.

The Department of Better Mousetraps: a comb that waves and curls hair...a flexible screwdriver that works around corners...a gadget which, according to a leading mail order house, will allow you to get the "closest approach man has ever made to seeing the atom," for $15.95...a clothes dryer that also sprinkles dry clothes for ironing...a device for detecting deterioration in your phonograph needle before it hurts the record...and, finally, a device to increase sales in British pubs - an electric bull's-eye which, when hit by the lucky dart-thrower, shouts congratulations and urges him to buy a round of drinks for everyone.